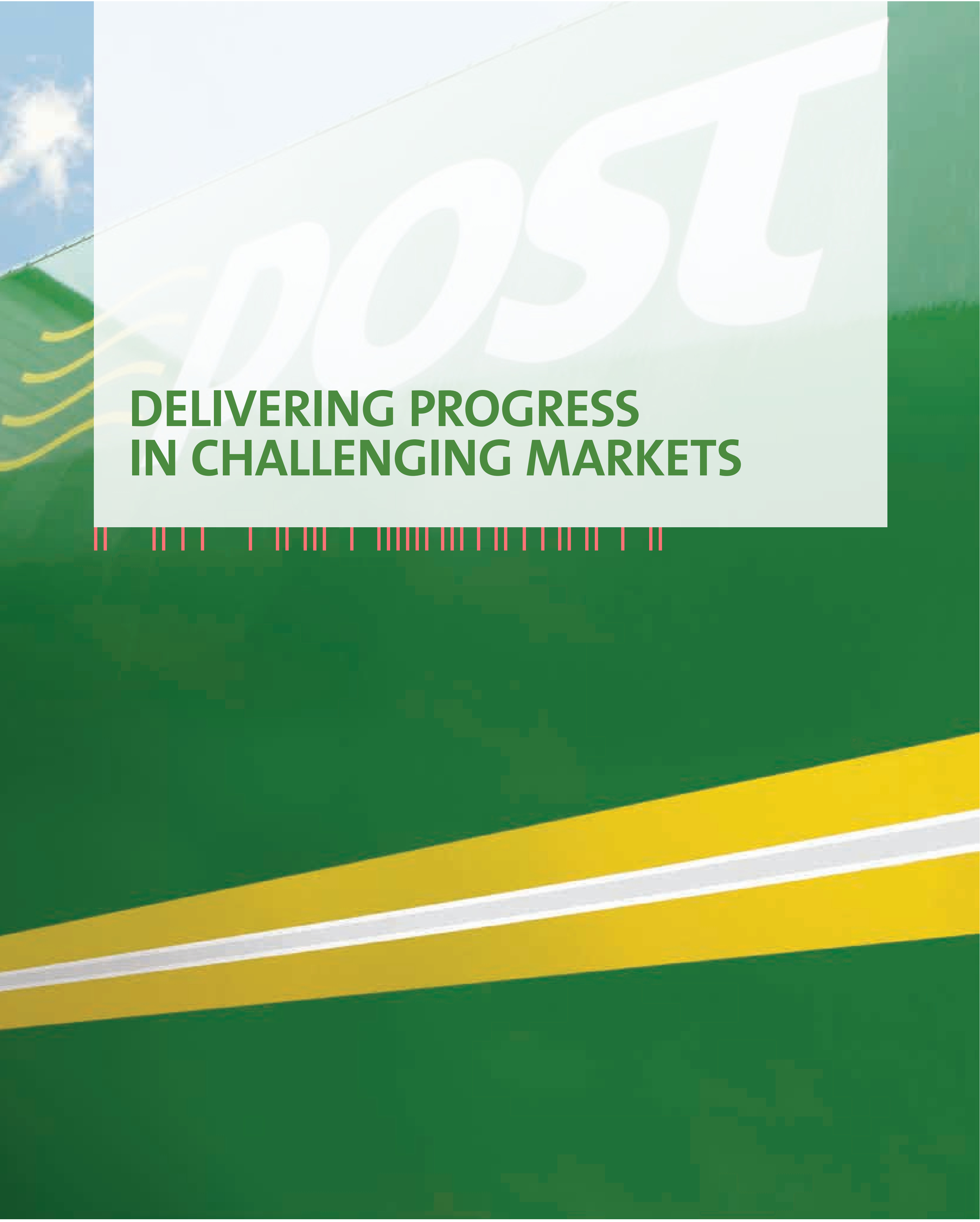

DELIVERING PROGRESS IN CHALLENGING MARKETS

AN POST ANNUAL REPORT 2013

CONTENTS

+22%

RECORD CONTRACT PARCELS VOLUME GROWTH DRIVEN BY ONLINE SHOPPING

+3%

THE AVERAGE GROWTH IN MAIL VOLUME PER DIRECT MAIL CAMPAIGN DURING 2013

12.5m

NUMBER OF ITEMS OF MAIL COLLECTED, PROCESSED AND DELIVERED EVERY WEEK

OUR MISSION

To provide world class postal, distribution and financial services with unrivalled local community access and global connections.

OUR VISION

Working together as a united team, our ambition is to outperform the new competition we face, delivering a better quality service, more efficiently, to more customers by continuously adapting, innovating and implementing change.

OUR VALUES

Quality Customer Service

Put the customer first in everything we do, consistently delivering world class service quality.

Commercial Success

Achieve commercial success, earning profits that can sustain and develop the business.

Cost Competitiveness and Efficiency

Run a cost competitive, efficient operation.

Respect and Personal Responsibility

Respect each other and take personal responsibility.

Respected Corporate Citizen

Care for the environment and be engaged in the community as respected corporate citizens.

Innovation and Change

Continually innovate, adapt and implement change successfully.

BOARD OF DIRECTORS AND CORPORATE INFORMATION

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1. Christoph Mueller
Chairman -2,3
Appointed 5 June 2013
Mr Mueller joined Aer Lingus as its Chief Executive Officer (CEO) in September 2009. He previously held the position of Executive Aviation Director at TUI Travel plc, a FTSE 100 company. Mr Mueller previously held senior executive positions in a number of companies in the aviation industry including Daimler Benz Aerospace and Lufthansa AG. He served as the Chief Financial Officer of DHL Worldwide from 2002 to 2004 and became a member of the Executive Committee of Deutsche Post AG in 2004 after the acquisition of DHL by Deutsche Post AG. He is a member of the Board of Tourism Ireland. He has an MBA from the University of Cologne and he also completed an Advanced Management Program at Harvard Business School.

2. Noel Adamson
Employee Director
Appointed 1 November 2012
Mr Adamson joined the Post Office in 1981 as a Postman in the Central Sorting Office in Dublin's Sheriff Street. He has been employed as a Postperson in Fairview Delivery Services Unit 3 for the last 19 years. Throughout his employment he has been an active member of the Communications Workers' Union. He is the current chairman of the Standing Orders Committee and he also holds the positions of Assistant Secretary and Health & Safety Officer with the Dublin Postal Delivery Branch.

3. Patrick Compton
Employee Director
Appointed 1 November 2012;
Sixth term
Mr Compton has worked in the postal service for the past 41 years and his current position is that of Partnership Co-ordinator. He was a member of the National Executive of the Communications Workers Union for 22 years and its President in 1986. He was also a director of The Prize Bond Company Limited for many years. He has been a member of Roscommon County Development Board and is active in community development in his local area and currently serves as Roscommon GAA Coaching and Games Development Officer.

4. Donal Connell
C.ENG., F.I.E.I., B.E.
Director -2,3
Appointed on 14 August 2006
Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and he is Chairman of An Post National Lottery Company.

5. Thomas Devlin
Employee Director
Appointed 1 November 2012;
Third Term
Mr Devlin began his career in the Post Office in 1976 when he joined the Department of Posts and Telegraphs as a Junior Postman working as a messenger in the Minister's Office. He is currently employed as a Delivery Service Manager in Swords/Malahide Delivery Service Unit, Co. Dublin. An active member of the Communications Workers' Union, he served on the National Executive for two years and is currently Chairman of the Dublin Mails Managers Branch.

6. Paul Henry
A.C.A., M. Accounting,
B.A. (Bus & Econ)
Director -1
Appointed 15 September 2011
Mr Henry, a Chartered Accountant, has worked with Dublin Airport Authority (DAA) since 2008. Currently he is Finance Manager (Ireland) with Aer Rianta International, DAA's international travel retail subsidiary, having previously held positions in Internal Audit and Finance. Prior to that he worked with PriceWaterhouseCoopers, Dublin.

7. William Mooney
Employee Director
Appointed 1 November 2012
Mr Mooney joined the Post Office in 1982 as a Junior Postman. He is currently employed as a Post Office Clerk in the GPO. He is a member of the National Executive of the Communications Workers' Union and he also holds the position of Secretary of the Dublin Postal Clerks Branch Committee.

8. Mr Tom O'Brien
BBS, FCA
Director -1
Appointed 9 September 2013
Mr O'Brien is a Chartered Accountant with extensive business experience in senior financial, commercial and general managerial roles having trained with KPMG. He is currently Managing Director of MXSweep Limited, a company providing cloud-based IT security services. A graduate of Trinity College Dublin and the Institute of Chartered Accountants in Ireland, he is currently completing an MSc in Strategic Management and Innovation.

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9. Martina O'Connell
Employee Director
Appointed 1 November 2012
Martina O'Connell joined An Post in 1993 as an Auxiliary Post Person and is now working as a Postal Operative in Cork's South City Delivery Office. An active member of the Communications Workers' Union since she joined the Company, Martina has been a member of the National Executive Council since 2002 and serves on a number of sub committees.

10. Peter Ormond
B.A. (Bus. Mgt.)
Director
Appointed 8 March 2011
Mr Ormond is the Marketing Manager with Mid Ireland Tourism since March 2010 prior to which he was the Community Services Programme Manager for Kilcormac Development Association. His other work experiences are in auctioneering, in sales and marketing, and in logistics. He is a member of Offaly County Council and was its Chairman in 2005/2006. He is also a member of the Education Finance Board.

11. William Scally
M.A. Barrister-at-Law,
Director
Appointed 11 December 2012
Mr Scally has had a lengthy career in Economics and Public Policy. Up until 2011 he worked on a cooperative basis as an independent public policy and public affairs consultant in the CIPA framework with a wide variety of Irish businesses and representative bodies. He was lead author of Fixing Finance, the 2010 Institute of International and European Affairs publication. Mr Scally has lectured widely on the Irish Government and political process. He worked in Irish Sugar for many years and as a public policy and economic advisor to several Irish Governments. He also served on the board of Forfás.

12. Lorraine Tormey
Postmaster Director
Appointed 1 January 2013
Ms Tormey has worked in the family post office business in Rathowen, Co Westmeath all her life and she was appointed Postmistress there in 2001. She is also Postmistress of Austin Friar Street Post Office in Mullingar. Ms Tormey is Secretary of the Westmeath Branch of the Irish Postmasters' Union (IPU); Director and Company Secretary of Rathowen Community Development and she is involved in a broad variety of local business and community development initiatives.

13. James Wrynn
BSC.BCOMM., MBA.
Director -1
Appointed 15 September 2011
Mr Wrynn is a former Senior Lecturer in Strategic Management in DIT and Head of the Department of Administrative Studies in DIT's Faculty of Business. He served on the Board of ESB for more than ten years and during his term of office served as Deputy Chairperson from 1995–2000. He also chaired ESB Board Committees on International Investment and Strategic Response to Deregulation.

14. Ed Murray
B.A., QFA
Director Designate
Announced 7 March 2014
In his current role as a Senior Stockbroker and Institutional Equity Sales person with Cantor Fitzgerald, Mr Murray provides investment advice to private and corporate clients, and is developing the Cantor Fitzgerald institutional equity product offering. Mr Murray has over 17 years experience in investment markets, working in Ireland with local and international clients. Previous roles include Director of Institutional Equity Sales with NCB Stockbrokers, Senior Portfolio Manager with NCB Wealth Management and within the Treasury Division of Irish Life and Permanent.

15. Jennifer Loftus
BAFS, FIA, FSAI
Director Designate
Announced 7 March 2014
Since 2003, Ms Loftus' role as Financial Reporting Actuary with Acorn Life Ltd., a privately owned life insurance company, includes responsibility for statutory and regulatory financial reporting, financial modelling and risk management. A fellow of the Institute of Actuaries (UK) and Society of Actuaries in Ireland, Ms Loftus is currently studying to become a member of the Association of Chartered Certified Accountants. She has lectured in Actuarial Science on a voluntary basis overseas and has co-authored a research paper examining the relationship between socio-economic class and illness. Ms Loftus is a member of the fundraising Committee for NBCRI (National Breast Cancer Research Institute.)

Secretary
Jack Dempsey

Registered Office
General Post Office
O'Connell Street
Dublin 1

Auditor
KPMG, Chartered Accountants

Bankers
Bank of Ireland

Solicitors
Matheson

Registered Number
98788

Key To Board Committees
1. Audit And Risk
2. Personnel
3. Remuneration

CHAIRMAN'S STATEMENT

Group profit for the financial year 2013 was €5.9m after exceptional items. This improvement is welcome; it is now critical to create a long term financial model to ensure the financial strength required for a sustainable national postal operator.

During the year a new roadmap for the next five years was developed. We will continue to change and grow our Company as the best provider of everyday postal, retail, communication and financial services in the Irish market.

As in previous years, the current five-day delivery Universal Service Obligation caused a substantial loss in 2013. This loss is currently cross-subsidised by other commercial activities in the Group, notably our new business activities. We intend to continue the provision of this service in the coming years, however this may not be sustainable on an ongoing basis as traditional mail volumes are further substituted by new technologies.

We intend to meet two basic challenges: laying the foundation for future growth and developing actions which will have an immediate effect. To accomplish this, we have intensified our efforts to increase and diversify income, capitalise on our assets and control expenses, with the aim of strengthening the Group for the longer term.

This is the commitment we have made to our stakeholders. We have developed a business management framework that is focused on economic efficiency and sustainability. This framework addresses the future configuration of our mail service as well as the continued viability of the retail network, consistent with changing customer shopping and business trends. Actions undertaken over the last year were aimed at greater operational flexibility, increasing commercial effectiveness and developing new customised, multichannel solutions supported by the latest technologies; all tailored to the needs of small and large businesses, the public and government bodies.

2014

We will continue to change and grow our company

Our approach to the coming years is based on the inherent strengths within the An Post Group of companies, including product offerings in added value mail services (e.g. Air Business in UK), insurance products, Gift Cards and innovative transaction services such as foreign exchange cards. This leverages the Company's unique geographic coverage, significant and diverse product portfolio, technological capacity, human capital and capacity for innovation. It is also based on the values that customers have traditionally associated with An Post, such as reliability, security, proximity and trust.

With the measures planned and initiated in 2013, the An Post Group will benefit further from these strengths and synergies. The Group will continue to develop relevant and competitive products and services and will respond effectively to the evolution of the communications market.

Despite signs of recovery, the current economic context continues to present a challenge for Irish companies. Addressing challenges as complex as those we are currently experiencing, and indeed those of the last five years, requires a capacity for innovation and a complete focus on our customers.

There is no doubt that these qualities characterise the essence of the committed staff who make up the An Post Group. I am confident that with their efforts and ongoing capacity for change embodied in the plan for the next five years, we will reach the goals we have set.

I want to thank my fellow Board members who have served this Company so well; their contributions are very much appreciated. In particular, I am grateful to John Fitzgerald (former Chairman), Catherine Woods and John Quinlivan who retired during 2013; throughout their terms they were active and committed Board members.

I also want to thank the Minister for Communications, Energy and Natural Resources, Pat Rabbitte T.D. and his officials for their assistance and support during 2013.

I have every confidence in the Board, management and staff of An Post as they continue to deal with difficult economic and market challenges whilst exploiting new commercial opportunities for the core business and subsidiary companies.

Christoph Mueller
Chairman

MANAGEMENT

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1. Donal Connell, C.ENG., F.I.E.I., B.E.
Chief Executive
Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and he is Chairman of An Post National Lottery Company.

2. John Daly, A.C.M.A., M.SC.(MGMT.)
Retail Operations Director
Mr Daly joined An Post in December 1988 having worked previously as a Management Accountant in FÁS. During the early part of his career with An Post, he worked in the Finance Directorate as a Management Accountant. He then held various senior finance and management positions within the Retail division before being appointed to his current position in October 2006. He is Chairman of The Prize Bond Company Limited.

3. Jack Dempsey, B.COMM., M.B.A., M.P.A.
Company Secretary
Mr Dempsey joined the Post Office in 1968 as an Executive Officer in the Department of Posts and Telegraphs. During his career, he has gained wide experience in all aspects of postal operations and commercial activities, both national and international, occupying a variety of senior management positions across the Company. He was appointed as Company Secretary in March 2011.

4. Peter Gallagher, B.SC., M.B.A., M.INST.D
Director of Strategy and Business Excellence
Mr Gallagher joined An Post in April 2007 as Head of Strategy and Business Excellence. Prior to joining An Post, he had been a Partner in PA Consulting Group's Global Business Transformation Practice where he led major transformational and business operational improvement programmes for private & public sector clients. Previous roles include Director of Strategy with KPMG Consulting and Business Operations Manager (UK & Ireland) for Dell Computer Corporation.

5. Pat Knight, M.SC.(MGMT.), F.C.I.P.D.
Human Resources Director
Mr Knight joined An Post in March 2004 as Human Resources Director. Previously, he had been General Manager Human Resources at Waterford Crystal, which he joined in 1986 and where he held senior HR roles, both in Ireland and the UK. Previous experience includes work as a Personnel Officer with Bord na Móna plc. He is a Trustee of the An Post Superannuation Schemes and a director of Air Business Limited.

6. Brian McCormick, B.E., M.B.A.
Services Director
Mr McCormick joined An Post in May 2002 as Strategy Director and was appointed to his current position of Services Director in October 2003. Prior experience includes CRH plc and Merrion Corporate Finance where he was a Director. He is a Trustee of the An Post Superannuation Schemes and Chairman of One Direct (Ireland) Limited and Air Business Limited.

7. Liam O'Sullivan
Mails Operations Director
Mr O'Sullivan joined An Post in 1985. During his career, he has gained broad experience across the full range of the Company's business. He has held various senior managerial and project management positions in the Company. He was appointed as Mail Processing Director in July 2004 and also served a period as Director of Collection & Delivery Change Programmes and Operations. He took up his current position in April 2009.

8. Peter Quinn, B.COMM., F.C.A., M.B.A.
Chief Financial Officer
Mr Quinn joined An Post in August 2004. Prior to this he held senior financial and strategic positions in PJ Carroll and Company plc and Monaghan Mushrooms Limited. He is a Chartered Accountant and trained in practice with KPMG. He is a director of An Post National Lottery Company.

9. Liam Sheehan
Sales and Marketing Director
Mr Sheehan joined An Post in 2000 as General Manager Sales & Marketing and he was appointed as Sales & Marketing Director in October 2006. He has extensive experience in the Irish fast moving consumer goods sector and in brand creation, channel management and sales strategy. He previously held senior Sales & Marketing positions in Procter & Gamble and in Guinness and he was Commercial Director with Erin Foods. He is a director of The Prize Bond Company Limited. He is also Chairman of The Gift Voucher Shop Limited.

10. Barney Whelan, B.SC., M.B.A., F.P.R.I.I.
Director of Communications and Corporate Affairs
Mr Whelan joined An Post in January 2005. Having spent many years in the aquaculture industry, he was responsible for public relations and brand communications at the ESB. He subsequently held the position of Director, Sales and Marketing at The Food Safety Promotion Board. He was appointed to his current position in October 2006.

+16%

FOREIGN EXCHANGE US DOLLARS AND STERLING TRANSACTIONS GREW BY 16%

+700,000

NUMBER OF AIB BANKING TRANSACTIONS GREW BY 22%

1,427,000

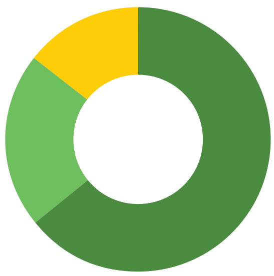
NUMBER OF TV LICENCES SALES IN 2013

2013 was marked by many positive achievements for An Post, despite the great challenges posed to the Company and its customers as the country's economic environment began to show signs of recovery.

During the year we achieved much that we can be proud of:

- We achieved an improved financial performance including a Group operating profit after exceptional items
- We achieved record Quality of Service levels in our Mails Operations
- The €40m Automation Investment Programme was completed on schedule benefitting both quality and cost
- Core Mails Revenue dropped by 2% which was one of the lowest declines in Europe
- Record contract parcels volume growth of 22%, driven by online shopping
- The first headline stamp price increase since 2007 delivered an annualised increase in revenue of circa €20m, with minimal impact on mail volumes
- We bid successfully for the Department of Social Protection social welfare cash contract
- Banking facilities for AIB customers were extended across the Retail Network with major benefits for the Bank's customers and for our post offices
- We concluded a significant agreement with staff to address the Pension Scheme's fund deficit
- We achieved ongoing cost reductions including a staffing decrease of 335 Full Time Equivalents (FTE)
- We assembled the winning consortium to operate the new National Lottery licence

However, we are still operating in a difficult trading environment, indeed, in many ways the next several years will be of pivotal importance to the future of this Company. In common with other national postal operators we continue to focus on operational productivity, consolidation and automation as well as on work practice flexibility and innovation. Postal administrations across the world have also been increasing their pricing to reflect cost and market realities, to ensure commercial viability.



- **€511m** MAILS
- **€169m** RETAIL OPERATIONS
- **€121m** SUBSIDIARIES

Volume decline is certainly challenging the basis of postal economics; the Company has lost 30% of its core mails business over the last five years.

The implementation of change across the Company is ongoing and targets are being achieved. We maintain a constructive relationship with employees and their representative Unions and this has ensured clarity, cooperation and progress. To date we have achieved annualised cost savings of over €100m. Constructive dialogue continues in our efforts to reduce the Company's staff numbers by a further 1,000 over the next five years.

Throughout 2013 we continued to maintain our focus on meeting our customers' needs. This is manifest across every element of our operations, as evidenced by customer interface research carried out on our behalf. Customer satisfaction with both our Mails and Retail services is at an all-time high. Our staff continue to deliver improved service quality with pride and confidence.

Our investment in the An Post Brand which reinforces the positioning of the Company at the centre of Irish life and business continued. This activity included many very persuasive executions of the added value available to business through the diverse services the Company provides. The Company continued its highly effective, community sponsorship programme focussing on cycling and literacy awareness.

Finances

The outcome for 2013 was better than budgeted, with a Group operating profit of €5.7m after exceptional items and compares well with the prior year loss of €17.5m.

The single largest challenge has been the continued decline in traditional mail. The Company has experienced an unprecedented reduction of 30% in volumes since the peak of 2007. The scale of the decline is similar to that seen in other countries.

Mails revenue in 2013 amounted to €510.7m, 1% higher than 2012. The Company benefited from a 22% increase in contract parcel volumes and improved pricing on international mail paid through Terminal Dues. While the volume of traditional mail fell by 2% during the course of the year this rate of decline was lower than in previous years. The Company is budgeting for a further 3-5% decline during 2014, which we believe is reasonable given recent trends and the ongoing economic environment.

The Retail division performed well with revenue at €169.2m on a par with the previous year. Products such as Foreign Exchange Sterling and Dollar sales were up €5.2m (18%) on 2012, compensating for reduced income from the NTMA contract, concerning the provision of State Savings products.

Group companies increased their revenue to €121m from €111m in 2012 reflecting solid growth in their respective product portfolios. Each is in a strong position in their particular market and they maximise the benefit of their linkage with An Post. The enhanced association of Aviva with One Direct, as well as the continued growth of the Gift Voucher Shop, in Ireland and the UK, are positive indicators for the year ahead.

€40m

The €40m Automation Investment Programme completed on schedule

The first headline stamp price increase since 2007 was implemented and resulted in a yield of circa €20m, this being circa 4% of overall Mails revenue. The Company experienced minimal impact on mail volumes following the price adjustments.

We have plans in place to deliver a Group profit in 2014, subject to achieving a necessary further price adjustment.

Mails

During 2013 we saw a decline in core Mails revenues of 2%, which was better than forecast. There was a substantial increase in parcels and packet traffic, particularly during December. Our major online retail customers experienced a significant rise in demand which resulted in volume growth of approximately 22% for this service. This segment is subject to active service innovation and price pressure. These are high value items in a growth sector and we will continue to invest in this segment of the business so as to increase our volume and market share.

The planned benefits of our investment in the Mails Automation programme bore fruit in terms of Quality and cost reduction. We have seen our domestic Quality of Service improve significantly during 2013. Quality performance of 94.7% for international inbound and 89.5% for international outbound, both exceeded their respective targets. This outcome reflects the concentrated effort which all staff, within our Mails business, have put into the improvement of our service over the last number of years.

We aim to continue to provide the current five-day Universal Service Obligation (USO) over the next five years. We provide this service at a significant loss, however and in practice it is cross-subsidised by other commercial activities within the Group. The current business model does not receive, nor does it envisage receiving, Government funding. However, this model may not be sustainable in the future if mail revenue continues to decline in line with volume.

Our Mails network has been built to satisfy the obligations inherent in the USO and it also allows us to offer many other income-generating products and services, for example Direct Mail. We continued to see revenue enhanced by our parcels and packets business as both these segments continued to grow.

We will continue to provide a world class service on both domestic and International Mail.

Mails Pricing

Mails pricing is a critical strategic issue and is central to our financial planning in the years ahead.

There is a number of factors influencing the need for a Mails price increase. For many years the pricing of Universal Services has been set at a level that does not allow An Post to recover the costs it incurs in the provision of these services. This issue is further exacerbated by the ongoing decline in Mails volumes. The Mails business is therefore loss-making and this must be addressed.

€18 billion

Value of State Savings fund through An Post

Growth is expected in the packets and parcels market due to the growth of online shopping, however, this will be more than offset by the decline in the traditional letters market. An Post's total mail volumes are forecast to fall by 3-5% per year over the next five years.

Decreasing volumes create significant challenges for An Post. While revenue is directly proportional to volume, the amount of effort and cost required to deliver multiple letters to a particular address is virtually the same as delivering one letter. Despite the drop in volumes, all delivery routes still have to be covered under the USO model and so these costs can be considered largely fixed. The challenges posed to the viability and ongoing profitability of the Mails business are clear.

An Post continues to meet these challenges through investment in and reform of the mail pipeline and service delivery. Current challenges facing the USO exist despite the significant efficiency gains achieved in the recent past and the comprehensive change programme included in the business plan.

At present, the most economically efficient and pragmatic solution to the challenges in Universal Service provision is to realign pricing of the Universal Service products to reflect the costs of providing the service, now and in the future. This should be accompanied by a pricing framework which gives An Post sufficient commercial freedom to respond to and avoid problems in the future.

An Post welcomes ComReg's commitment to the introduction of a Price Cap Mechanism as provided for in the Communications Regulation (Postal Services) Act 2011 and expects that this will be in place in mid-2014. This approach to price adjustment will allow appropriate planning into the future and provide more certainty among our customers on future price movement.

Retail

Our Retail business continued to perform steadily. We continue to service significant government business across the post office network. The State Savings fund grew by a further €1.9 billion and is now worth more than €18 billion; this figure now amounts to more than 16% of all personal savings in the country.

During 2013 the Department of Social Protection issued a tender for the provision of cash payments to its clients throughout the country. An Post won this contract and is currently implementing the new arrangements.

We will ensure that we adapt our service offerings to take advantage of this trend, wherever possible. We will continue to develop further products and service offerings, which will facilitate the Government's drive for greater efficiencies.

As mentioned earlier we have seen very satisfactory growth in commercial revenue in the Retail business. We have established a number of successful relationships with a range of financial services companies including Aviva, AIB and KBC. This activity, along with initiatives such as Foreign Currency and One4All gift cards, opens up new avenues for growth into the future.

€9,169m

Value of State Benefits paid by An Post on behalf of the Department of Social Protection

In each case the efficient variable-cost model for the management of transactions, which we offer our Corporate customers, is proving attractive to them when compared to the fixed costs, incurred in operating diffuse branch office networks.

There are a number of key strategic drivers for the Retail aspect of the business including:

- The retention of the Department of Social Protection and State Savings contracts
- Enhanced training of staff to further improve the customer experience
- The alignment of location with population density and shopping patterns
- Innovation to deliver new products and channels that deliver significant revenue and margin
- A focus on how we leverage improved processes and systems to deliver significant cost savings

In the context of financial inclusion it is our view that An Post can facilitate the effective introduction of a Basic Bank Account. We are in a position to do so and to play our part in the implementation of this important aspect of Government policy.

New products and services

We have continued our investment in encouraging Mails growth across SME and marketing sectors; providing master-classes, research, workshops and many expert speakers at Company-organised events. We have also maintained our drive for growth in online and catalogue generated mail, e-fulfilment and other segments.

The Company has invested in innovation and research over the last number of years in areas such as:

- The Mails Automation programme
- The use of mobile scanners by all postal delivery staff
- The employment of dedicated Innovation specialists to research and develop new products and services

Not only have these developments addressed the business process needs of an increasing number of companies but they capitalise on the inherent trust in our Brand and our extensive reach throughout the country. These services will allow us continue to leverage our position as Ireland's most trusted intermediary.

Currently in the development pipeline are initiatives which will support our business in the delivery of parcels and packets, new investment products and the extension of our retail footprint.

20 YEARS

Length of licence won by PLI Consortium to operate National Lottery

Pensions

A proposal to address the Superannuation Scheme deficit was agreed with the An Post Group of Unions during 2013. This is a most significant agreement for the Company and all the stakeholders. Having been approved by the Board of An Post and by the Minister for Communications, Energy and Natural Resources, with the concurrence of the Minister for Public Expenditure and Reform, the agreed plan to address the Minimum Funding Standard (MFS) has been submitted by the Trustees, for approval to the Pensions Authority.

Postcodes

We will work closely with the new Postcode Management Licence Holder (PMLH), recently appointed by the Minister for Energy, Communications and Natural Resources to play our role in the successful implementation of this new system.

Lottery

The Minister for Public Enterprise and Reform held a competition for the Licence to operate the National Lottery for a 20 year period. An Post assembled the winning consortium, Premier Lotteries Ireland Ltd (PLI), including the Ontario Teacher’s Pension Plan (OTPP), An Post and the An Post Pension Fund. The winning bid amounted to €405m with a significant portion allocated to the building of the new National Children’s Hospital.

An Post is very pleased to have partnered with OTPP, Canada’s largest single professional pension plan with over CAN $130 billion in net assets. OTPP is the 100% owner of the Camelot Group, which includes UK National Lottery operator Camelot UK Lotteries Limited, and Camelot Global, who provide consultancy and management services to lotteries worldwide.

Camelot’s successful involvement in other markets, our experience of the Irish market and the financial strength of OTPP combined with a very strong business model and a rigorous approach to responsible gaming, bode well for the investors and good causes.

PLI, the operating company, represents the best in lottery expertise globally and is uniquely positioned to grow the National Lottery over the coming 20 years, for the benefit of customers and good causes. There will be a period of transition from the existing operator to PLI during 2014.

Sustainability

The Company has continued to make progress in our move towards fully integrating Sustainability within the business.

The Five Year Plan sees the Company retain the ISO 50001 Building Energy standard and we are planning to achieve ISO 14000 Environmental Management accreditation during the same period. We will focus on progressive reductions in carbon emissions in both buildings and fleet. We are on track to achieve a Government target of 33% improvement in energy efficiency by 2020 based on our performance in 2010. We report these figures annually in this report.

2016

An Post welcomes Government support for the GPO 'Witness History' Exhibition and Interpretive Centre marking the Centenary of the 1916 Easter Rising

The Centenary of 1916

In the Budget of October 2013, the Government announced its support for the Company's proposal to build an Exhibition and Interpretive Centre within the footprint of the GPO. The Exhibition, marking the centenary of the 1916 Easter Rising, will focus on a theme of the GPO as 'Witness to History'. The Centre will house, among other content, a permanent 1916 exhibition. This exciting and pivotal development has received planning permission and it is expected that construction will commence later this year with a view to opening in March 2016. An Post is very appreciative of the Government's support for this project.

The next five years

During the next five years I intend the Company to maintain and add to, the achievements of the last five. As mentioned above, our plan is based on optimising our Quality of Service, improved cost competitiveness, innovation in the provision of new products and services as well as continued employee engagement. It requires further price adjustments on a regular basis; this will be facilitated by the Price Cap Mechanism mentioned earlier, as well as enhanced contributions from our Group companies.

The coming years will be crucially important for the future viability and profitability of An Post. The progress made over recent years is a credit to all those working in An Post Group and I look forward to continuing the good work of the recent past.

Donal Connell
Chief Executive

€121m

GROUP COMPANIES INCREASED THEIR REVENUE FROM €111M TO €121M

+6.6%

ONE4ALL GIFT CARD TRANSACTIONS INCREASED BY 6.6%

150,000

ONE DIRECT PROVIDES INSURANCE COVER TO OVER 150,000 CUSTOMERS VIA THEIR ATHLONE BASED CALL CENTRE, ONLINE AT ONEDIRECT.IE AND THROUGH ONE DIRECT BRANCH OFFICES AND LOCAL POST OFFICES

The financial year 2013 ended with a Group operating profit of €5.7m compared to a Group operating loss of €17.5m the previous year.

While the 2013 performance benefited from an exceptional credit of €17.1m, arising from a negative past service cost on the pension scheme, offset by restructuring provisions and the write off of some assets, the underlying performance of the business also significantly improved over 2012.

	2013 €m	2012 €m
Turnover	811.7	807.3
Group operating profit/(loss)	5.7	(17.5)
Profit/(loss) for the financial year	5.9	(39.4)
Net assets (excluding pension liability)	224.3	297.3

Revenue

Revenue from letters, packets and parcels totalled €511m in 2013, 1% higher than in 2012. The volume of traditional mail reduced by 2% in the course of the year, with the rate of decline slowing significantly from just over 5% in 2012 as the economic climate in the country began to improve. The overall increase in revenue in this segment was achieved as the decline in traditional mail volume was partly compensated for by continued growth in parcels and packet volumes, as more customers move to on-line retailing and the first headline price increase in almost six years in the Universal Services area.

Revenue in the retail division held up well at €169m, broadly in line with the previous year. This performance was achieved as a result of the continued handling of the State Savings products, now with a combined value of €18.2 billion; the successful retention of the DSP cash payments business following a tender process; the establishment of a number of successful relationships with companies such as Aviva, AIB and KBC and the further increase in popular retail products such as Foreign Currency and One4All gift cards.

Subsidiaries

The Company's subsidiary companies increased their revenue to €121m from €111m in 2012, reflecting solid growth in their respective product portfolios. Profit margins remain strong across these businesses. Each subsidiary is in a strong position in their particular market and they maximise the benefit of their linkage with the An Post network and brand. The continued strong performance of Air Business in the UK, the association of Aviva with One Direct, as well as the sustained growth of the Gift Voucher Shop in Ireland and the UK are positive indicators for the year ahead.

FINANCIAL REVIEW (cont.)

Pricing

In April 2013, headline prices in the Universal Services area were increased for the first time in almost six years. The increases implemented were relatively modest with the first price point on the domestic letter service moving from 55c to 60c, still well below the European average. While this price increase yielded circa €20m in extra revenue to the Mails business, the pricing of Universal Services is still set at a level that does not allow An Post to recover the costs it incurs in the provision of these services.

An Post welcomes ComReg's commitment to the introduction of a Price Cap Mechanism as provided for in the Communications Regulation (Postal Services) Act 2011 and fully expects that this will be in place in mid-2014. This, we anticipate, will allow for the pricing of the Universal Service products to reflect the costs of providing the service, now and in the future.

Costs

The relentless implementation of change programmes continued apace over the course of the year. In the period since 1 January 2009 there has been a reduction in the FTE number in the company of 1,619 and the annualised labour cost has reduced by over €65m. In the year 2013, the average number of FTEs in the Company was 9,344; 297 lower than in 2012 which reflects the impact of ongoing change programmes on the cost base.

Company non pay costs at €185m were €11m higher than 2012, mainly as a result of increased costs incurred in servicing the incremental revenue for parcels/packets where we are increasing our market share of national and international business, an increased depreciation charge from the investment programme undertaken in recent years and from one-off regulatory costs.

Cash

The cash resources of the Group at 31 December, 2013 were €64m (€112m in 2012). During the year €22m was invested in capital expenditure and €20m in voluntary service/voluntary early retirement schemes. The Group remains in a strong cash position having invested heavily, internally generated cash in automation and restructuring programmes in recent years.

Fixed Assets

Capital expenditure in 2013 amounted to €22m. There were no significant asset disposals during the year. 2013 saw the completion of investment in the latest generation of Mails processing equipment and while the Group will continue to invest in the business in the years ahead, the major capital programmes of recent years are now complete.

Pension Scheme

The An Post balance sheet at 31 December 2013 includes a pension deficit of €229m (€285m in 2012). Assumptions that are in line with industry norms are used in the calculation of charges and the balance sheet deficit. These are primarily a discount rate of 3.75%, long run pay/pension inflation of 1.5% and investment returns of 7.5% for equities, 3.25% for bonds and 6.9% for other asset classes. The reduction in the deficit arose due to continued good investment returns during 2013 and changes to the normal retirement age arising from the innovative proposal to address the Pension Scheme deficit that was developed and agreed with the An Post Group of Unions. As part of the solution, a mortgage and charge relating to certain property assets of the Company with a maximum value of €100m by 2023, will be put in place in favour of the An Post Pension Schemes for use as a contingent asset of the Schemes. The Scheme rules have been changed to reflect the plan and the Pensions Authority will in due course consider the changes in the context of the Minimum Funding Standard.

Outlook

Given the appropriate pricing regime and the work done on improving quality and cost efficiency in the core business, combined with the successful diversification into related product areas through subsidiaries, the Group has re-positioned to a point where sustained profitability into the future is achievable.

The Communications Regulation (Postal Services) Act 2011 ('the Act') was enacted in August 2011.

Requirements of the Universal Service Obligation ('USO')

Under Section 17 of the Act, An Post is designated as the Universal Postal Service Provider for a period of 12 years until August 2023.

Under Section 16 of the Act, Universal Postal Service means that on every working day, except in such circumstances or geographical conditions deemed exceptional by ComReg, there is at least:

(i) one clearance, and

(ii) one delivery to the home or premises of every person in the State or, as ComReg considers appropriate, under such conditions as it may determine from time to time, to appropriate installations.

And that the following services are provided:

(a) the clearance, sorting, transport and distribution of postal packets up to 2kgs in weight;

(b) the clearance, sorting, transport and distribution of postal parcels to a weight limit to be specified by order of ComReg (or in the absence of this 20kg). ComReg has decided not to use its power to change the maximum weight limit of 20kg but will keep this under review;

(c) the sorting, transportation and distribution of parcels from other Member States up to 20kg in weight;

(d) a registered items service;

(e) an insured items service within the State and to and from all countries which, as signatories to the Universal Postal Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only; and

(f) postal services, free of charge, to blind and partially sighted persons.

As required by Section 16(9) of the Act, in July 2012 ComReg made regulations specifying the services to be provided by An Post relating to the provision of the universal postal service. The Communication Regulation (Universal Postal Services) Regulations, S.I. 280 of 2012 which sets out these services is available on www.irishstatutebook.ie or www.comreg.ie.

The terms and conditions of Universal Services are available on www.anpost.ie.

UNIVERSAL SERVICE (cont.)

Access to Universal Services

An Post provides access to its services through its network of 57 Company post offices and 1,090 contract post offices. In addition, some 1,070 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,800 post boxes are distributed widely throughout the State. There are 43 designated acceptance points for bulk mail services.

Tariffs

The following is a summary of the prices for standard services weighing up to 50g which were applicable since 2 April 2013.

Ireland & NI	Letters (up to C5)	Large Envelopes	Packets	Parcels
Standard Post	60c 59c if item bears a franking impression	€1.05 €1.03 if item bears a franking impression	€2.40 €2.35 if item bears a franking impression	€6.50
Registered Post*	€5.25	€5.25	€5.25	€10.50

*The fee payable for the basic registered service covers compensation up to a maximum of €320. Further compensation up to a limit of €1,500 is available for €4 and up to a limit of €2,000 for €5 based on declared value at time of posting.

International destinations	Letters (up to C5)	Large Envelopes	Packets	Parcels
Standard Post	90c	€1.65	€3.00	GB €20.00 ROW €25.00
Registered Post*	€5.17	€5.85	€7.05	GB €23.00 ROW €27.00

*Availability of service dependent on postal administration in destination country. Compensation up to €320 in GB; €150 in Europe; €100 for parcels and €35 for letters outside Europe.

A full list of current USO tariffs is available in the Guide to Postal Rates (see www.anpost.ie)

Under Section 30 of the Act, where ComReg is of the opinion that there is no effective competition in the market for the supply of certain services, it shall make a decision specifying a price cap in respect of these services. ComReg has issued a consultation on the introduction of a price cap mechanism and a decision is due in the coming weeks.

Quality of Service

International

The quality performance standard for the delivery of intra-Community cross-border mail was laid down in the Postal Directives (97/67/EC as amended) and is included in Schedule 3 of the Act. The quality standard for postal items of the fastest standard category is as follows:

D+3: 85% of items; D+5: 97% of items, where D refers to the day of posting.

Domestic

The Act requires ComReg to set quality-of-service standards for domestic universal service mail which must be compatible with those for intra-Community cross-border services. ComReg has set a quality-of-service target for domestic single piece priority mail as follows:

D+1: 94% D+3: 99.5%, where D refers to the day of posting.

Customer Complaints

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2013. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Written complaints received from customers:	
Items lost or substantially delayed	20,630
Items damaged	1,062
Items arriving late	346
Mail collection or delivery:	
Time of delivery	-
Failure to make daily delivery to home or premises	115
Collection times/Collection failures	2
Misdelivery	454
Access to customer service information	-
Underpaid mail	160
Tariffs for single piece mail/discount schemes and conditions	-
Change of address (Redirections)	590
Behaviour and competence of postal personnel	16
How complaints are treated	-
Other (not included in above)	2,440
Total	25,815

Included in the total figure are complaints about registered items, which number 7,216.

In 2013, there were 514,698 telephone calls made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints.

An Post Complaint and Dispute Resolution Procedures are set out in 'Getting it Sorted', which is available on our website, in retail outlets, and from our Customer Services Centre.

ComReg has recently issued Guidelines for Postal Service Providers on Complaints and Redress Procedures (see ComReg document 14/06 on www.comreg.ie). An Post is currently updating 'Getting It Sorted' to comply with these Guidelines. We also have a Customer Charter, containing specific pledges to customers regarding our services, which is also available on our website.

Further Information

Additional information in relation to services provided by An Post is available by phoning An Post Customer Services on CallSave 1850 57 58 59, by email at customer.services@anpost.ie, by visiting www.anpost.ie, or by calling into any post office.

Sustainability at An Post is now positioned within our operations, informing our decision making, strategy and management of the Company's infrastructure and network, with the aim of creating a viable and strong model for our current and future business.

Our present position follows five years of working within a strategic project framework to effect change in our Company's way of operating, moving from Sustainability as a stand-alone activity to one which is integrated within our everyday business activity. The focus in 2013 was on building on our achievements with notable gains in workplace and environmental streams of activity.

Workplace

The Company has a well developed approach to the provision of high quality working conditions for our staff of over 9,000 Full Time Equivalent employees (FTE's.)

- A framework includes policies, practices and procedures in the area of occupational health and safety, staff well-being and training and development:
- A documented and communicated Safety Statement
- The OHSAS 18001/2007 management system standard
- A training policy entitled "Building Organisational Capability"
- A staff education and support scheme
- Best-in-class policy and practice in relation to Diversity and Equality including co-operative working with the Disability Authority.
- A Central Partnership Forum provides a regular opportunity to meet with staff representatives and to communicate with staff regardless of their role or location.

Diversity

An Post is one of eleven founding organisations to sign the first Diversity Charter Ireland. This marks the Company's voluntary commitment to effective diversity management, discrimination prevention and the promotion of equality with respect to all stakeholders and the environment in which we operate.

Through Diversity Charter Ireland, we joined ten other countries in this public commitment to diversity. An Post also joins other postal companies which have signed the Charter, including Itella (Finland), Deutsche Post, P&T Luxembourg and Poste Italiane.

We benchmark our carbon proficiency with our postal sector colleagues worldwide

An Post was recognised at the Biomnis Healthcare Innovation Awards for our health promotion work among staff – with the publication of The Hard Stuff – The Facts about Alcohol. This staff booklet was distributed to all staff to raise awareness among employees of the effects of alcohol and of the services provided by An Post Occupational Health and Support.

World Mental Health Day (October 10th, 2013) was marked by An Post's Stress Awareness campaign. The mailing of a booklet called Address Stress to all staff aimed to help staff and their families to understand more about stress and how to manage it. In addition An Post's Occupational Health Service (OHS) team hosted information sessions on stress and mental health issues, with sessions taking place in An Post Headquarters, GPO, our four Mails Centres and in some of our larger Delivery Service Units (DSU's.)

Marketplace

An Post is operating to a very high standard in relation to mails collection and delivery. This reflects the Company's focus on quality of service with policies and procedures in place, including ISO90001 Quality Management System which is managed by our Quality Team.

Our Quality Management System includes:

- Targets in place for continuous improvement
- An 'end-to-end' view of the customer experience enshrined in our Customer Charter
- A defined complaints procedure
- Continuous monitoring of service performance and customers queuing time through Mystery Shopping surveys
- Customer supports such as provision for hard-of-hearing and blind customers

Environment

Voluntary sustainability reporting by global posts is an annual process, under the umbrella of our sector body, IPC's Environmental Management and Monitoring System (EMMS)

We continue to work within the International Post Corporation (IPC) structure to benchmark our carbon proficiency with our postal sector colleagues worldwide. This process allows the Company to plan and achieve real gains through the monitoring and management of our environmental impact.

In 2013 An Post continued to hold firm on our carbon management performance, scoring 14th within IPC EMMS (23 posts reporting in 2013.). This is within the context of ongoing challenges within the sector, including falling mail volumes and increasing fuel and energy pricing.

Within the postal sector, sustainability management proficiency improved 6% year-on-year from 70% in 2011 to 76% in 2012. A further reduction of 435,000 tonnes or 5% of CO_2 emissions was noted compared to the previous year.

We continue working towards the Company's strategic target of a 33% reduction in kWhrs and 20% reduction in CO2

This most recent reduction brings the total reduction of posts' own CO2 emissions to 1,622,000 tonnes or 19.4% since the launch of the programme in 2008; only 0.6% shy of reaching the 2020 target ahead of schedule. Within this context An Post is one of 17 posts set to reach an EMMS target of 90% carbon management proficiency by 2020.

In early 2013, An Post achieved ISO50001 Energy Management Standard. This certification is an internationally recognised standard for the reduction of carbon emissions and will contribute to an improvement in the Company's IPC, EMMS ranking.

During the course of preparing and attaining certification An Post put in place an energy policy, established objectives and targets in relation to energy reduction and will follow an action plan of continuous improvement to retain certification.

In 2013 An Post had an increase in the energy used within our property portfolio, as a result of new buildings coming on stream and the bad weather conditions experienced by the country in winter / spring 2013.

Energy Use

The vast majority of the Company's energy usage is comprised of:

- Heating and lighting our facilities
- Fuel consumption within our transport fleet

In 2013 An Post buildings energy consumption was 44.14 GWh and 77.73 GWh derived from fossil fuels, used in transport, throughout the Company. The breakdown of which is:

- 22.15 GWh of electricity
- 22.03 GWh of fossil fuels for heating
- 77.73 fossil fuels for transport.

Throughout 2013 we continued working towards the Company's strategic target of a 33% reduction in kWhrs and 20% reduction in CO2 by undertaking the following initiatives and programmes:

- Athlone Mails Centre (AMC) Six Sigma Project, which included a review of all the building activities in the AMC with a saving of 500MWhrs
- Building Management System (BMS) monitoring was extended to include Blackrock, Cardiff Lane, Dundalk and Fonthill DSU's. While extending the monitoring did not directly result in savings, An Post was able to develop specific action plans for the offices resulting in 100MWHrs savings
- Incorporating energy efficiency initiatives into all new building works
- Installing 24 hour/7 day-a-week timers in all An Post properties saving 200 MWHrs. Internal heating timers are to be installed in the majority of our offices
- An Post centralised the Planned Preventative Maintenance programme, which resulted in 200MWHrs savings

Actions planned for 2014:

During 2014 An Post will improve on our energy and CO2 reduction by undertaking the following initiatives:

To date, the An Post adult literacy campaign has resulted in the referral of over 15,500 adults to education centres around the country

- Investing further in lighting upgrades throughout our property portfolio.
- Implementing energy improvement projects:
    - Energy reduction initiatives targeted at our top 21 energy users by size and KWHrs per m2
    - Review of the Building Management Systems (BMS) and software in the Portlaoise and Dublin Mail Centres
    - Installing a system of heating controls incorporating external/ambient temperature sensors among high energy users.
    - Installing CO_2 monitoring software on existing heating systems in the larger premises
- Supporting our local offices to implement a Company-wide benchmarking system for energy use. This will result in identifying energy improvement opportunities in each office and contribute to our overall energy performance targets.

Community

Literacy

In 2014 An Post has been supporting the National Adult Literacy Agency (NALA) in their work to promote adult literacy awareness for seven years, with the national advertising campaign, Take the First Step.

In 2013 the well known advertising campaign again aired on national television and radio, promoting the benefits of a return to learning for adults who can benefit from help with their reading, written and numeracy skills.

The enduring awareness among our customers of this campaign is reflected in market research. Actual response rates to planned campaigns over the past six years remain consistent with an average of 1,000 calls received to the helpline attributed directly to our advertising, per campaign.

The overall result at end 2013 was the referral of over 15,500 adults to education centres around the country since the campaign first began. In line with changes in how people are communicating, An Post and NALA now promote a free-text number, which accounts for approximately 25% of all responses to the advertising campaign.

Education

Our longstanding support for education of school children about everyday Irish business and Irish life is delivered through An Post Schools' Education Programme. Our online education resource www.anpostschoolbag.ie provides reliable and fun activities for teachers, students and others in education, with a focus on curriculum links and real-life Irish examples.

The website offers competitions, video content, lesson plans as well as an overview of An Post's business. The resource, now in its third year, continues to gain in strength and relevance, with growth in traffic and engagement among our target audience of teachers and school children of all ages.

We are the leading supporter of Irish cycling at all levels

Cycling

An Post is the leading supporter of Irish cycling at all levels, from grassroots to elite, international competition. In 2013, participation in An Post Cycle Series reached 16,500 people, cycling in five leisure events around the country between May and September. The impact of these events in the towns and counties in which they take place is of growing economic and social importance each year. Delivered by local sports partnerships and volunteer support, An Post Cycle Series is a prime example of business, sport and community working to deliver economic recovery and enhancing quality of life for our citizens and customers.

Ireland's only UCI international stage race, An Post Rás (19th-26th May, 2013) brought international teams to race against Irish amateur riders. The economic benefit to each host town is significant in addition to the sporting and social importance of the event at local level while promoting Irish cycling on an international stage.

An Post-Chain Reaction-Sean Kelly team had a successful finish to the year with a stage win on the Tour of Britain by Irishman, Sam Bennett, catapulting him into the top level of professional cycling.

An Post continued to support the Irish Paracycling team as they competed at international level while An Post Rás na mBan, Ireland's premier women's stage cycling race, brought the biggest and best international field of riders to Ireland to date, also achieving Eurosport UK coverage.

An Post issued a total of 38 special and commemorative stamps in 2013, covering a broad range of topics such as *The Gathering Ireland* 2013, *The Port of Cork*, *50th Anniversary of the Irish Cancer Society*, *Contemporary Public Buildings*, *and Europa – 'Postal Vehicles'*.

The highlights of the 2013 stamp programme included memorable occasions in Ireland's history. Three stamps issued to commemorate the Centenary of the General Lockout, depicting James Larkin, Countess Markiewicz and James Connolly. Two stamps issued marking the 50th Anniversary of President John F. Kennedy's historic visit to Ireland. They featured photographs from the state visit which took place less than five months before his assassination in Dallas, Texas. A set of four stamps saluted the proud history of the *Irish Defence Forces*, showing the four branches of the Forces; Army, Navy, Air Corps and Reserve Defence Force.

In May a 60c stamp celebrated Dublin's status as *UNESCO City of literature*. Designed by the Stone Twins, two Amsterdam-based Irish designers, the bright yellow regular-sized stamp features a complete short story written by 17 year-old Eoin Moore, who participated in Dublin's Fighting Words creative writing programme for young people. It was selected from stories submitted by primary and secondary school pupils, all striving to capture 'the essence of Dublin' in precisely 224 words. The eye-catching stamp has won a number of national and international awards for its design.

A series of four stamps was designed by Ger Garland to celebrate Contemporary Arts – Visual Arts. Issued as an embossed booklet, the set featured the work of celebrated contemporary visual artists Stephen McKenna (Doors and Sunlight), Dorothy Cross (Ghost Ship), Amanda Coogan (The Fall), and John Gerrard (The Smoke Tree).

Four stamps which were designed by Atelier David Smith for Ireland an Integrated Society, celebrate the positive contribution made by Ireland's newest citizens and immigrants.

Designed by Zinc Design Consultants, the set of stamps for Contemporary Public Buildings used dramatic photography to feature some of Ireland's most iconic public buildings.

2013 saw the issue of phase IV of the Seventh Definitive Series - Irish Animals and Marine Life. Phase IV continued the release of this beautiful series on the recently introduced format, Stamps On A Roll (SOAR).

€1m

On October 30, 2013 the Irish Stamps website (irishstamps.ie) achieved annual sales of more than €1m for the first time

Available at all Post Offices, SOAR allows the denomination of the stamp to be printed at the time of purchase and provides real-time management information.

A diverse portfolio of associated collateral was also produced, including Prestige Booklets, Miniature Sheets, a Year Pack and First Day Cover (FDC) Collection. The newly-designed and enhanced First Day Cover Collection is now presented in a custom made vinyl wallet which contains 24 FDCs in mini album style. Once again, the Irish Stamps Year Book was produced in both standard and luxury editions. As ever, this strictly limited edition featured all issues from the annual stamp programme and was produced to the highest standards of design, with stunning imagery and informative text.

In April 2013, An Post supported the Port of Cork Maritime Collection at Sirius Arts Centre, Cobh. An Post loaned a painting of HMS Sirius by Charles Ryecraft to an exhibition showcasing a selection of the Port's historic maritime art pieces dating back from the 1800s. The painting was the original artwork for a stamp which issued in 1988, commemorating the 150th Anniversary of the first scheduled steamship crossing of the Atlantic

Innovative design, the enduring demand for miniature art and philatelic product, as well as the option to purchase online through www.irishstamps.ie, resulted in irishstamps.ie achieving annual sales of more than €1m for the first time ever on October 30, 2013.


ÉIRE 60c
JOHN F. KENNEDY 1917-1963
ÉIRE 90c
JOHN F. KENNEDY 1917-1963


Éire 82c
TÓSTAL ÉIREANN 2013
THE GATHERING IRELAND 2013


ÉIRE 60c
PORT OF CORK CALAFORT CHORCAÍ
ÉIRE 90c
PORT OF CORK CALAFORT CHORCAÍ
ÉIRE 60c
PORT OF CORK CALAFORT CHORCAÍ

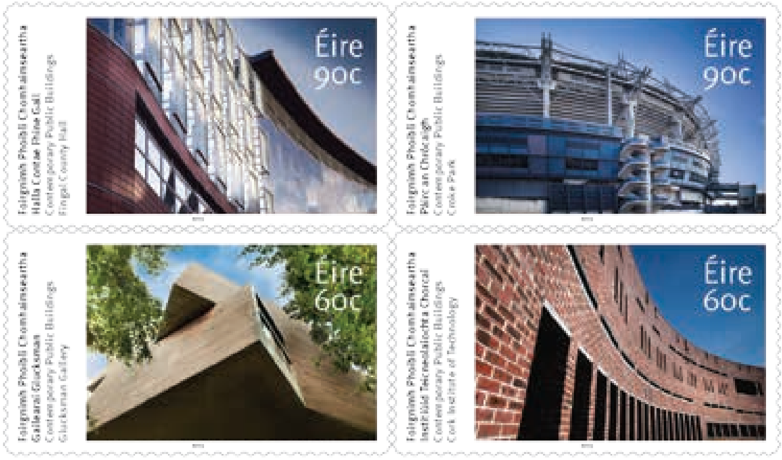

Éire 60c
Éire – Sochaí Lánpháirtithe
Ireland – An Integrated Society
Éire 90c
Éire 60c
Éire 90c


Éire 60c
EUROPA
Éire 90c
POST
EUROPA


ÉIRE 60c
ÓGLAIGH NA hÉIREANN
IRISH DEFENCE FORCES
ÉIRE 60c
ÓGLAIGH NA hÉIREANN
IRISH DEFENCE FORCES
ÉIRE 60c
ÓGLAIGH NA hÉIREANN
IRISH DEFENCE FORCES
ÉIRE 60c
ÓGLAIGH NA hÉIREANN
IRISH DEFENCE FORCES


ÉIRE 55c
Uachtaránacht na hÉireann ar Chomhairle an Aontais Eorpaigh
Irish Presidency of the Council of the European Union

STAMP ISSUES AND PHILATELIC PUBLICATIONS (cont.)



INDEX TO THE FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their thirtieth Annual Report together with the audited financial statements of the Group for the year ended 31 December 2013, in fulfilment of their obligations under the Companies Acts, 1963 to 2013.

1. The Group and its Principal Activities

The Company operates the national postal service and money transmission services and provides agency services for Government Departments, the National Treasury Management Agency, An Post National Lottery Company and other bodies.

One ordinary share is held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011) and the remainder of the issued share capital is held by the Minister for Communications, Energy and Natural Resources.

Details of the activities carried on by subsidiary and associated undertakings, together with the information required by Section 158 of the Companies Act, 1963, are given in note 25 to the financial statements.

2. Results

Details of the results for the year are set out in the consolidated profit and loss account on page 53 and in the related notes to the financial statements. The directors do not propose the payment of a dividend for the year.

3. Business Review

The Group profit for the financial year after exceptional items is €5.9m and represents a significant improvement on the loss of €39.4m in 2012. The Group operating profit of €5.7m after exceptional items reflects the ongoing improvements and cost efficiency achieved.

Normal Operations

Before exceptional items the Group operating loss for the year is €11.5m. Year on year trading performance improved in 2013 from the 2012 operating loss of €17.5m.

Turnover from continuing operations at €811.7m is marginally up on the 2012 figure of €807.3m. The decline in traditional mail volumes continued, albeit at a slower pace, as the economic climate begins to show signs of a recovery. The year saw increased revenue from subsidiaries and the strategy of diversifying into other mails and retail related products continued to yield positive results. The programme of cost reduction in the core business continued during 2013.

Exceptional Items

During 2013 the Group recognised negative past service costs on the defined benefit pension scheme of €71.0m, provisions for business restructuring of €45.0m and the write off of some assets arising from an asset valuation review of €8.9m.

The Group result after tax, minority interest and exceptional items was a profit of €5.9m, having taken into account a credit of €2.9m for pension financing items, a Group corporation tax charge of €0.7m and the minority share of profits in subsidiaries of €2.0m.

The pension deficit has decreased from €284.6m at 31 December 2012 to €229.2m at 31 December 2013 reflecting continued good investment returns and the negative past service costs as a result of the changes to the normal retirement age arising from the recently approved changes to the Pension Scheme.

The net liability position in the balance sheet for the Group is €5.0m at 31 December 2013 compared to net assets of €12.7m at 31 December 2012.

The information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 6 to 20.

An Post National Lottery Company

On 27 February 2014, Premier Lotteries Ireland signed a 20-year licence to operate the National Lottery. The new operator whose investors are An Post, the An Post pension funds and Ontario Teachers' Pension Plan (OTPP), will take over the full operation of the National Lottery following transition. The current operating structure of the An Post National Lottery Company will continue until that time.

KPI

In monitoring performance, the directors and management have regard to a range of key performance indicators (KPIs), including the following:

	Performance in 2013	Performance in 2012
Operating result before exceptional items		
Operating loss as a percentage of turnover	(1.4%)	(2.2%)
Staff costs as a percentage of total operating costs	58.2%	59.9%
Postmasters' costs as a percentage of total operating costs	9.8%	9.7%
Other operating costs as a percentage of total operating costs	32.0%	30.4%
Cash at bank and in hand	€63.9m	€112.1m
Staff - Average Full Time Equivalents (FTE)		
Company	9,344	9,641
Subsidiaries	801	748
Group	10,145	10,389
Company year end FTE run rate	8,738	9,073
Mail business		
Letters core revenue index (page 81)	(2.0%)	(5.2%)
Retail business		
Social welfare transactions	42.7m	43.6m
BillPay transactions	24.4m	25.2m
TV licence sales	1.4m	1.4m
Investment Products - net fund inflow	€1,731m	€1,771m
Post Office Savings Bank - net fund (outflow)/inflow	(€123m)	€228m
Prize Bonds - net fund inflow	€280m	€195m
Burglaries and Robberies - number of incidents	42	53
Customer Service		
Written complaints	25,815	23,443
Telephone enquiries	514,698	475,414

In accordance with the requirement to analyse the key risks and uncertainties facing the future development of the Group and Company, the following have been identified:

- Funding of the mails Universal Service Obligation (USO)
- Mails Pricing
- Department of Social Protection (DSP) Business
- Competitive and Flexible Cost Structure
- Mails Market Decline
- Market Share of Mails Revenue
- Group Companies' Performance
- Customer Service Targets
- Risk of Fraud
- Pension Fund Deficit
- Absenteeism

The directors have analysed these and other risks and appropriate programmes are in place to manage and control these risks. The Corporate Governance Statement on pages 38 to 44, which forms part of the Directors' Report, sets out the policies and approach to risks and the related internal control procedures and responsibilities.

4. Directors, Secretary and their Interests

The following changes have taken place in the composition of the Board since the date of the previous report of the directors:

Ms Catherine Woods retired on 3 February 2013.

Mr John Fitzgerald retired on 28 February 2013.

Mr Christoph Mueller took office as Chairman with effect from 5 June 2013.

Mr John Quinlivan retired on 5 June 2013.

Mr Tom O'Brien was appointed on 9 September 2013.

Ms Jennifer Loftus and Mr Ed Murray were announced as Directors Designate on 7 March 2014.

The directors and secretary who held office at 31 December 2013 had no interests in the shares, or the debentures of the Company or any Group company at the beginning of the year (or date of appointment if later) or at the end of the year (2012 : Nil).

5. Employees

The Group is an equal opportunities employer. All applications for employment are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All employees are treated on equal terms as regards training, career development and promotion. An Post confirms that its employment of people with disabilities exceeds the target of 3% set under the Disabilities Act, 2005.

An Post is committed to ensuring the highest safety standards and safe practices for its employees, contractors and members of the public in accordance with the Safety, Health and Welfare at Work Act, 2005. In 2013, there were 39.2 lost time accidents per 1,000 employees.

An Post is committed to reducing lost time accidents and in this regard is undertaking a safety improvement programme which included the retention of accreditation to the OHSAS 18001:2007 standard in 2013. In addition, 4,373 employees attended specific safety training courses in 2013, with many more attending other courses where safety was part of the content. This includes the provision of advanced driver training for 702 drivers who use our Company fleet. Conscious of the fact that legal obligations are the minimum acceptable standard, An Post is striving for excellence in this area and is continuing to increase awareness among employees and contractors of the necessity for the highest safety standards.

6. Prompt Payment of Accounts

The policy of An Post is to comply with the requirements of relevant prompt payment of accounts legislation. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and monthly reporting and review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations.

7. Treasury Risk Management

The Group's treasury operations are managed in accordance with policies approved by the Board. The Group's financial instruments are limited to cash, term deposits and bank loans/overdrafts and as such the Group's operational exposure to financial risks in this regard are limited. The Group's treasury risk management policy allows for limited foreign exchange hedge positions to be taken but does not include the use of derivatives.

8. Accounting Records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by engaging accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at the Company's premises at the General Post Office, O'Connell Street, Dublin 1.

9. Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

Christoph Mueller, **Chairman**
Donal Connell, **Director**
20 March 2014

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance continues to be a priority for the directors of An Post. In developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance and to apply the principles of good governance appropriate to the enterprise.

The directors are accountable to the shareholders for good corporate governance and this report addresses how the Code of Practice for the Governance of State Bodies and the principles of good governance have been applied within An Post.

The Board

The Group is controlled through its Board of directors. The Board's main roles are to oversee the operation of the Group, to provide leadership, to approve strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board meets on a monthly basis and certain matters are specifically reserved to the Board for its decision.

The specific responsibilities reserved to the Board include: setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the Group; approving the appointment of the Company Secretary; and maintaining satisfactory communication with shareholders.

The Board has delegated the following responsibilities to management: the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

The roles of the Chairman and the Chief Executive

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of all directors and constructive relations between the executive director and the other directors, ensures that directors receive relevant, accurate and timely information and manages effective communication with shareholders.

The Chief Executive has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

Directors and Directors' independence

All directors are appointed to the Board by the Minister for Communications, Energy and Natural Resources and their conditions of appointment and fees are set out in writing. Employee directors are elected in accordance with the Worker Participation (State Enterprises) Acts, 1977 to 1993 for a term of four years. The postmaster director is elected in accordance with Section 81 of the Postal and Telecommunications Services Act, 1983 for a term of three years. All other directors are appointed for a fixed term, usually five years.

In 2013, the Board was comprised of thirteen directors viz: the Chairman, the Chief Executive, five employee directors, one postmaster director and five non-executive directors. The names of the directors together with their biographical details are set out on pages 4 and 5. Two Directors Designate were announced on 7th March 2014. Their names together with their biographical details are also set out on page 5. The positions of Chairman and Chief Executive are held by different people. Given its legal status as a State Company and the responsibility of its principal shareholder in the appointment of directors, the Board believes that it has fulfilled all of the obligations that are required in respect of the appointment of directors.

The Board has formal procedures in place whereby the Chairman meets with the non-executive directors without the executive director being present.

Directors have the right to ensure that any unresolved concerns they may have about the running of the Group or about a particular course of action are recorded in the Board minutes. If they have any such concerns, they may, on resignation, provide a written statement to the Chairman, for circulation to the Board.

The directors are given access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as directors.

Professional development

On appointment, all new directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Board Committees, the Group's corporate governance practices and procedures, including the responsibilities delegated to Group senior management and the latest financial information about the Group. This will typically be supplemented by meetings with key senior executives. Throughout their period in office, the directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the postal industry as a whole, by written briefings and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a director, both in writing and in face-to-face meetings with the Company Secretary. They are also updated on changes to the legal and governance requirements of the Group and upon themselves as directors.

Performance evaluation

The Board has adopted and performed a formal process for the annual evaluation of its own performance and that of its principal Committees. This includes periodic external performance evaluation. The Board considers that the introduction of any further evaluation of individual directors would be inappropriate given the manner of appointment of directors, the shareholding structure and existing Board procedures.

The Company Secretary

The Company Secretary is a full time employee of An Post. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Information

Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

Relations with shareholders

The Board through the Chairman and management, maintain an ongoing dialogue with the Company's shareholders on strategic issues. The Chairman and the Chief Executive give feedback to the Board on issues raised with them by the shareholders. All directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet directors after the formal proceedings have ended.

Internal Control

An ongoing process exists for identifying, evaluating and managing the significant risks faced by the Group. This process is periodically reviewed by the directors and has been in place throughout the accounting period and up to the date the financial statements were approved.

The directors are responsible for the Group's system of internal control and set appropriate policies on internal control, seek regular assurance that enable them to satisfy themselves that the system is functioning effectively and ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss. The key risks are set out at Section 3 of the Report of the Directors.

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2013, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls, reports from the internal auditors and reports from the external auditor on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. The Board has adopted a Risk Management Policy and a Risk Management Framework and appointed a Chief Risk Officer. The responsibilities of the Audit and Risk Committee embrace the responsibilities of a Risk Committee. Managing business risk to deliver opportunities is a key element of all activities. This is done using a simple and flexible framework which provides a consistent and sustained way of implementing the Group's values. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible. The business context determines in each situation the level of acceptable risk and controls.

Management is responsible for the identification and evaluation of significant risks and for the design and implementation of appropriate internal controls. These risks are assessed on an ongoing basis and are derived from a variety of external and internal sources. Management reports regularly to the Board on the key risks inherent in the business and on the way in which these risks are managed. Management also reports to the Board on any significant changes in the Group's business and on any risks associated with such changes. The process used to identify and manage key risks is an integral part of the internal control environment.

The key procedures which the directors have established with a view to providing effective internal control are as follows:

- A clear focus on business objectives as determined by the Board after consideration of the statutory responsibilities and risk profile of the Group's businesses.
- A defined organisational structure with clear lines of responsibility, delegation of authority and segregation of duties designed to foster a beneficial control environment.
- A risk management process which considers the strategy and development of the business in the context of the annual budget process when financial plans and performance targets are set and reviewed by the Board in light of the Group's overall objectives.
- A reporting and control system which ensures that individual businesses report to the Board on an ongoing basis on their progress in achieving objectives. The system for reporting covers both operational and financial performance, occurs on a timely basis and ensures that budgetary variances are examined and addressed promptly.
- The preparation and issue of financial reports, including the consolidated annual accounts, is managed by the Group Finance department. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities with guidance in the preparation of financial information. This process is supported by a network of finance managers throughout the Group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and Group level by senior management. The annual accounts are reviewed by the Board Audit and Risk Committee in advance of being presented to the Board for their review and approval. This review includes a meeting with the external auditors with no member of management present.
- An internal audit function which monitors compliance with policies and the effectiveness of internal control within the Group's businesses. The working of the internal audit function is focused on the areas of greatest risk to the Group.
- The Board Audit and Risk Committee, which approves internal and external audit plans and deals with significant control issues raised by internal and external auditors.

Attendance at meetings of the Board, the Remuneration Committee and the Audit and Risk Committee

Twelve Board meetings were held during the year ended 31 December 2013 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
Christoph Mueller	7	7
John Fitzgerald	1	1
Noel Adamson	12	10[1]
Patrick Compton	12	12
Donal Connell	12	12
Thomas Devlin	12	12
Paul Henry	12	11
William Mooney	12	11[2]
Tom O'Brien	4	4
Martina O'Connell	12	10
Peter Ormond	12	11[2]
John Quinlivan	5*	-
Lorraine Tormey	12	12
William Scally	12	12
Catherine Woods	1	-
James Wrynn	12	12

[1]Board meeting scheduled at short notice
[2]Special Board meeting convened at short notice
*Mr Quinlivan was unable to attend all meetings due to illness

Four meetings of the Remuneration Committee were held during the year ended 31 December 2013 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Christoph Mueller	3	3
John Fitzgerald	1	1
Donal Connell	4	4
John Quinlivan	1	-

CORPORATE GOVERNANCE (cont.)

Nine meetings of the Audit and Risk Committee were held during the year ended 31 December 2013 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
James Wrynn	9	9
Patrick Compton	5	5
Paul Henry	9	9
Tom O'Brien	2	2

In addition two ad hoc Committees of the Board were established on a temporary basis during the year, one to consider issues relating to GeoDirectory licensing arrangements for the proposed Postcode Management Licence Holder (PMLH) and the second to consider proposals for a joint bid in respect of the Lottery Licence tender issued by the Department of Public Expenditure and Reform. The composition of these committees which reported to the Board at regular intervals during the year was as follows:

Committee on Postcode/GeoDirectory: Donal Connell, Patrick Compton and James Wrynn. Committee established to consider proposals for a bid in respect of the Lottery licence: Christoph Mueller, Chairman, Donal Connell, James Wrynn, Paul Henry and Patrick Compton. Both Committees completed their work during the year.

Directors' Remuneration

The remuneration of the Chief Executive is determined in accordance with the guidelines issued by the Department of Public Expenditure and Reform for determining the remuneration of Chief Executive Officers of Commercial State Bodies and is subject to the approval of the Remuneration Committee of the Board of An Post and the Minister for Communications, Energy and Natural Resources. Fees for all directors are determined by the Minister for Communications, Energy and Natural Resources with the approval of the Minister for Public Expenditure and Reform.

The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Code of Practice for the Governance of State Bodies.

Remuneration Committee

The Remuneration Committee is comprised of three non-executive directors and the Chief Executive. Christoph Mueller acts as Chairman of the Committee. There are currently two vacancies on the Committee, these are expected to be filled shortly. The Chief Executive absents himself from meetings when matters relating to his own remuneration are being considered. When necessary, non-Committee members are invited to attend. The Committee's principal responsibilities are:

- To determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Chief Executive, subject to compliance with Government Policy relating thereto;
- To determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- To be informed of significant developments in industrial relations and to review industrial relations policies to ensure the strategy is consistent with the achievement of the business plans of An Post and on behalf of the Board to take decisions on such matters;
- To act, on behalf of the Board and take all decisions related to pay and pay related matters, as the Chairman of the Board shall determine;
- To act, on behalf of the Board and take all significant decisions on matters such as remuneration policy, benefits, staff grading, third party recommendations and related issues; and
- To review the continued development and implementation of a human resources strategy and furtherance of a human resources planning process.

Audit and Risk Committee

The Audit and Risk Committee is currently comprised of three non-executive directors. James Wyrnn is Chairman of the Committee. When necessary, non-Committee members are invited to attend. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying itself as to the effectiveness of the Company's internal controls and as to the sufficiency of the external and internal audits.

The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees. As a result of regulatory or similar requirements, it is necessary to employ the Group's external auditor for certain audit related and non-audit services.

In order to maintain the independence of the external auditor, the Audit and Risk Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Group while ensuring that the objectivity and independence of the external auditor is maintained. The Audit and Risk Committee monitors the total level of fees paid to the external auditor.

The Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

The Committee also assists and where relevant, makes recommendations to the Board on the discharging of its responsibilities in relation to security. The Committee meets with management, as well as privately with the external auditor.

In 2013, the Audit and Risk Committee discharged its responsibilities by:

- Reviewing the Group's draft financial statements for 2012 prior to Board approval and meeting and reviewing with the external auditor their reports thereon;
- Reviewing the appropriateness of the Group's accounting policies;
- Reviewing the potential impact on the Group's financial statements of significant matters arising during the year;
- Reviewing the resources of internal audit, approving the internal audit plans, reviewing internal audit reports and dealing with significant control issues raised by the internal auditor;
- Reviewing the audit fee and non-audit fees payable to the Group's external auditor;
- Reviewing the external auditors' plan for the audit of the Group's financial statements for 2013, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit on behalf of the Board;
- Reviewing the Risk Management Policy and the Risk Management Framework including an external report on the effectiveness of the An Post Group Risk Management framework;
- Reviewing the key risks to the business and considering the adequacy of the Group's system of risk identification and assessment;
- Reviewing an annual report on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and
- Reviewing security policies and procedures for the protection of staff, postmasters and customers and for safeguarding assets and the implementation of and compliance with those policies and procedures.

During the year the Board approved an amendment to the terms of reference of the Audit and Risk Committee to include a review by the Committee of any significant investments, divestments or business ventures by An Post or its subsidiaries prior to their submission to the Board. Members of the Committee were members of the Board Committee set up to review and make recommendations to the Board on the Lottery Licence Tender bid.

Raising Matters of Concern

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action including a review by the Audit and Risk Committee. Reporting channels have been created whereby perceived wrongdoing may be reported via post, telephone and email, anonymously if preferred.

Nomination Committee

As all the authority regarding the appointment of directors is vested in the Minister for Communications, Energy and Natural Resources, with the consent of the Minister for Public Expenditure and Reform, no Nomination Committee was in place for 2013.

Compliance Statement

As noted above, in developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance and to meet the standards of good governance appropriate to the enterprise.

The directors confirm that the Group has been in compliance with the Code of Practice for the Governance of State Bodies throughout the financial year under review.

Going Concern

The Group profit for the year was €5.9m while Group operating losses before exceptional items were €11.5m. The Group balance sheet has net assets excluding pension liabilities of €224.3m with net liabilities including pension liabilities of €5m. Having regard to this, the directors have reviewed the Group's business plan and other relevant information and have concluded that the Group will continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Christoph Mueller, **Chairman**
Donal Connell, **Director**
20 March 2014

STATEMENT OF THE DIRECTORS ON COMPLIANCE WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST AS REQUIRED BY THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011

Under the Communications Regulation (Postal Services) Act 2011 the Commission for Communications Regulation, (ComReg), is designated as the national regulatory authority for the postal sector and An Post is designated as a Universal Service provider.

Under the Act, the accounting procedures of An Post are required to be conducted in accordance with directions laid down by ComReg and with certain provisions in the Act. On 8 December 2006, ComReg issued a direction to An Post setting out the regulator's detailed requirements in relation to the accounting systems of An Post (the Direction).

The directors acknowledge their responsibility for compliance with the accounting provisions of the Act and the following statement describes how An Post applied the relevant provisions of the Act and the Direction for the accounting year beginning on 1 January 2013.

Financial Records and Accounting Systems

The financial records and accounting systems maintained by An Post contain sufficient detail to enable management to ensure that they comply with the accounting provisions of the Direction. Separate accounts are maintained for each of the services within the Universal Service.

Separated Accounts

Segmental profit and loss accounts and statements of net assets are being prepared for submission to ComReg for the year ended 31 December 2013. In compliance with the Direction, a competent body is reviewing these accounts and will issue an opinion on their compliance with the Direction.

Management Accounting Manual

A detailed accounting manual has been prepared showing the range and scope of data to be collected for the purpose of complying with the Direction and the basis on which the data is to be allocated/apportioned between services. This was submitted to ComReg in 2013.

The manual reflects the detailed revenue determination and cost allocation and apportionment principles and rules set out in the Direction.

Statement of Compliance

Based on the above steps and actions, the directors believe that An Post has complied with the relevant provisions of the Act and with the Direction of ComReg in relation to the Accounting Systems of An Post for the year ended 31 December 2013.

On behalf of the Board

Christoph Mueller, Chairman
Donal Connell, Director
20 March 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2013.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Christoph Mueller, Chairman
Donal Connell, Director
20 March 2014

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST

We have audited the Group and Company financial statements ("financial statements") of An Post for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 46 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

Matters on which we are required to report by The Companies Acts, 1963 to 2013

We have obtained all the information and explanations which we considered necessary for the purposes of our audit.

The balance sheet of the Company is in agreement with the books of account and, in our opinion proper books of account have been kept by the Company.

In our opinion the information given in the directors' report is consistent with the financial statements.

The balance sheet of the Company shows an excess of liabilities over assets and, in our opinion, on that basis there did exist at 31 December 2013 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 may require the convening of an extraordinary general meeting of the company.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST (cont.)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Acts 1963 to 2013 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.
- Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Corporate Governance Statement on pages 38 to 44 does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not.

P. Carroll
for and on behalf of

KPMG
Chartered Accountants, Statutory Audit Firm

1 Stokes Place
St. Stephen's Green
Dublin 2
20 March 2014

REPORT OF THE INDEPENDENT AUDITOR TO AN POST ON COMPLIANCE WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST AS REQUIRED BY THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011 (THE ACT)

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 45 concerning the Company's compliance, for the year ended 31 December 2013, with the accounting provisions of the Act and with the direction to An Post setting out the Regulator's detailed requirements in relation to the accounting systems of An Post (the Direction), issued on 8 December 2006 by the postal services regulator, ComReg, in relation to the accounting systems of An Post.

Respective Responsibilities of Directors and Auditor

The directors prepare an annual statement of compliance with the accounting provisions of the Act and the Direction for which they are responsible. The objective of our review is to draw attention to non-compliance with the requirements of the accounting provisions of the Act and with the Direction. Our review does not constitute an audit of the separated accounts. A separate audit report will be issued on the audit of the regulatory accounts.

Basis of Opinion

We carried out our review in accordance with the general principles and guidance of the Auditing Practices Board.

Opinion

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion, the directors' statement on page 45 appropriately reflects the Company's compliance, for the year ended 31 December 2013, with the accounting provisions of the Act and with the Direction on the Accounting Systems of An Post, dated 8 December 2006 issued by ComReg.

KPMG
Chartered Accountants, Statutory Audit Firm

1 Stokes Place
St. Stephen's Green
Dublin 2
20 March 2014

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2013

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

1. Basis of Preparation

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with applicable law and Irish Generally Accepted Accounting Practice which includes compliance with the financial reporting standards of the Financial Reporting Council as promulgated in Ireland by The Institute of Chartered Accountants in Ireland.

2. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings (except An Post National Lottery Company) made up to the end of the financial year. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below. If the financial year of a subsidiary undertaking does not coincide with that of the parent Company, the Group financial statements consolidate interim financial information prepared by the subsidiary at the end of the parent's financial year.

The sole activity of An Post National Lottery Company is the operation of the National Lottery under licence from the Minister for Public Expenditure and Reform in accordance with the provisions of the National Lottery Act, 1986 and the surplus generated each year is entirely attributable to the National Lottery Fund which is managed and controlled by the Minister. Accordingly, An Post does not participate in the surplus generated by An Post National Lottery Company and neither is it entitled to exercise any rights over the assets of that company. On this basis, in accordance with the provisions of Financial Reporting Standard No. 2 'Accounting for Subsidiary Undertakings' and the European Communities (Companies: Group Accounts) Regulations, 1992, the consolidated financial statements do not incorporate the financial statements of An Post National Lottery Company. Separate financial statements of An Post National Lottery Company are to be published later in 2014.

Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it is able to exercise significant influence.

Associates are accounted for using the equity method of accounting. The Group's share of profits less losses of associates is included in the consolidated profit and loss account and its interests in their net assets or liabilities, other than goodwill, are included as fixed asset investments in the consolidated balance sheet.

Investment in subsidiaries and associates are shown in the Company balance sheet as financial fixed assets and are valued at cost less provisions for impairments in value.

3. Turnover

Turnover is recognised as services are provided and consists of income from postage, agency services, poundage from remittance services, courier and logistic services, consultancy services, financial services and interest income. Income from agency services is in respect of services performed for Government Departments, the National Treasury Management Agency, An Post National Lottery Company and other bodies. Amounts held in the performance of these agency services are included in amounts held in trust in cash at bank and at hand.

Postage income is recognised in the profit and loss account as sales are made with an adjustment to deferred revenue for stamps sold and unused and balances in postage meter machines unused at the year end. Other income, primarily agency income and service income, is recognised upon provision of the underlying service.

4. Exceptional Items

The Group has adopted a Profit and Loss format that highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that separate disclosure is relevant to a better understanding of the Group's performance.

5. Saving Services
The Company operates, on an agency basis and for an agreed remuneration, the Post Office Savings Bank and other savings services for the National Treasury Management Agency, which acts on behalf of the Minister for Finance.

The funds are remitted regularly to the National Treasury Management Agency. The assets and liabilities of such savings services vest in the Minister for Finance and, accordingly, are not included in these financial statements.

6. Grants
Revenue based grants are credited to the profit and loss account to offset the matching expenditure.

Capital grants received and receivable under EU assisted schemes are recognised when received or when their receipt can be foreseen with virtual certainty.

Capital grants are treated as deferred income and amortised to the profit and loss account on a basis consistent with the depreciation policy of the related tangible fixed assets.

7. Tangible Fixed Assets
Tangible fixed assets are stated at cost less accumulated depreciation and any charges for impairment.

Freehold and long leasehold land is not depreciated. Depreciation on other tangible fixed assets is charged to the profit and loss account on a straight line basis so as to write off those assets, adjusted for estimated residual value, over the expected useful life of each category. The remaining useful lives of the assets and their residual values are reviewed on a regular basis.

Depreciation is provided on additions with effect from the first day of the month following commissioning and on disposals up to the end of the month of retirement.

The estimated useful lives are as follows:

	Years
Freehold & long leasehold buildings	20–50 or lease term if shorter
Interest in GPO	50
Motor vehicles	5
Operating & computer equipment	3–10

8. Operating Leases
Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

9. Goodwill
Goodwill arising on acquisitions, representing the excess of the purchase price over the fair value of the net identifiable assets or liabilities acquired, is capitalised and amortised to the profit and loss account on a straight line basis over its expected useful life of up to twenty years. The carrying value of goodwill is reviewed annually and provision is made for any impairment in value. On disposal of a business, any goodwill is included in determining the profit or loss on sale of the business. Such assets are also reviewed at each reporting date to assess for indications of impairment.

10. Financial Fixed Assets
Financial fixed assets are shown at cost less provisions for impairments in value. Income from financial fixed assets, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

11. Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

12. Taxation

Current tax, including Irish corporation tax and foreign tax(es), is provided on the Group's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued or receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

13. Pensions

The Group provides pensions to its employees under defined benefit superannuation schemes and a defined contribution scheme. It also provides retirement gratuities under normal circumstances to postmasters engaged as agents and to certain non-pensionable employees.

In relation to the defined contribution scheme, contributions are accrued and recognised in operating profit or loss in the period in which they are earned by the relevant employees.

For the defined benefit schemes, the difference between the market value of the schemes' assets and the actuarially assessed present value of the schemes' liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet, net of a deferred tax liability or asset (to the extent that it is recoverable).

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements or disimprovements granted to members during the year.

The expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount rate during the year are shown as financing costs in the profit and loss account.

Any difference between the expected return on assets and that actually achieved and any changes to the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

In relation to the unfunded liability for retirement gratuities, the actuarially determined present value of the liability is recorded in full in the balance sheet and it is increased for the cost of additional benefits earned during the year which is charged to operating profit. The unwinding of the discount on the liability is shown as a financing cost in the profit and loss account. Changes to the liability as a result of changes in measurement assumptions or because actual experience is different to that assumed are considered to be an actuarial gain or loss and are included in the statement of total recognised gains and losses.

14. Foreign Currencies

Transactions denominated in foreign currencies are translated into euro and recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date or at forward purchase contract rates where such contracts exist. All such exchange differences are dealt with in the profit and loss account.

Results of overseas subsidiaries are translated into euro at the average exchange rate for the period. The assets and liabilities of overseas subsidiaries are translated into euro at rates of exchange ruling at the balance sheet date. Translation differences are reported as a movement on reserves.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 €'000 Before Exceptional	2013 €'000 Exceptional	2013 €'000 Total	2012 €'000 Total
Group turnover – continuing operations	2	811,693	-	811,693	807,295
Operating costs	3/4	(823,156)	17,149	(806,007)	(824,779)
Group operating profit/(loss) – continuing operations		(11,463)	17,149	5,686	(17,484)
Other finance income/(expense) net	18			2,860	(19,750)
Profit/(loss) on ordinary activities before taxation	5			8,546	(37,234)
Tax on profit/(loss) on ordinary activities	6			(676)	(129)
Profit/(loss) on ordinary activities after taxation				7,870	(37,363)
Minority interest	22			(2,001)	(2,014)
Profit/(loss) for the financial year	7/20			5,869	(39,377)

On behalf of the Board

Christoph Mueller, **Chairman**
Donal Connell, **Director**
20 March 2014

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 €'000	2012 €'000
Profit/(loss) for the financial year		5,869	(39,377)
Actuarial (loss)/gain on post employment plans	18	(25,530)	214,700
Total recognised (losses)/gains		(19,661)	175,323

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013

	Notes	2013 €'000	2012 €'000
Fixed Assets			
Intangible assets - goodwill	9	12,689	22,253
Tangible assets	10	267,680	272,532
Financial assets	11	-	-
		280,369	294,785
Current Assets			
Debtors	12	101,557	103,155
Cash at bank and in hand	13	63,913	112,105
		165,470	215,260
Creditors: Amounts falling due within one year	14	(167,676)	(186,007)
Net Current (Liabilities)/Assets		(2,206)	29,253
Total Assets less Current Liabilities		278,163	324,038
Creditors: Amounts falling due after more than one year	16	(6,261)	(4,360)
Provisions for Liabilities	17	(47,650)	(22,352)
Net Assets excluding Pension Liability		224,252	297,326
Pension Liability	18	(229,206)	(284,620)
Net (Liabilities)/Assets including Pension Liability		(4,954)	12,706
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(71,926)	(52,265)
Shareholders' (Deficit)/Funds	21	(2,810)	16,851
Minority interest	22	(2,144)	(4,145)
		(4,954)	12,706

On behalf of the Board

Christoph Mueller, Chairman
Donal Connell, Director
20 March 2014

COMPANY BALANCE SHEET AT 31 DECEMBER 2013

	Notes	2013 €'000	2012 €'000
Fixed Assets			
Tangible assets	10	269,669	274,745
Financial assets	11	8,969	8,969
		278,638	283,714
Current Assets			
Debtors	12	49,430	54,051
Cash at bank and in hand	13	51,515	104,623
		100,945	158,674
Creditors: Amounts falling due within one year	14	(148,408)	(163,150)
Net Current Liabilities		(47,463)	(4,476)
Total Assets less Current Liabilities		231,175	279,238
Creditors: Amounts falling due after more than one year	16	(3,258)	(3,360)
Provisions for Liabilities	17	(47,650)	(22,352)
Net Assets excluding Pension Liability		180,267	253,526
Pension Liability	18	(229,206)	(284,620)
Net Liabilities including Pension Liability		(48,939)	(31,094)
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(118,055)	(100,210)
Shareholders' Deficit	21	(48,939)	(31,094)

On behalf of the Board

Christoph Mueller, **Chairman**
Donal Connell, **Director**
20 March 2014

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 €'000	2012 €'000
Net cash outflow from operating activities	23	(17,223)	(5,757)
Taxation	23	(1,202)	(1,729)
Capital expenditure and financial investment	23	(30,283)	(30,442)
Financing	23	2,003	-
Cash outflow before use of liquid resources		(46,705)	(37,928)
Management of liquid resources	23	7,417	57,760
(Decrease)/increase in cash in the year		(39,288)	19,832

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	2013 €'000	2012 €'000
(Decrease)/increase in cash in the year	24	(39,288)	19,832
Cash flows from change in liquid resources	24	(7,417)	(57,760)
Change in net funds resulting from cash flows	24	(46,705)	(37,928)
Net funds at beginning of year	24	109,675	147,603
Net funds at end of year	24	62,970	109,675

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Status of Company

The Company is a limited liability company, incorporated under the Companies Acts, 1963 to 2013. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the word 'Limited' from its name.

2. Turnover

	2013 €'000	2012 €'000
The analysis of turnover is as follows:		
Republic of Ireland		
Postage: Letters and parcels	508,899	501,450
Postage: Elections and referendum	1,837	3,725
Post offices: Agency, remittance and related services	169,242	169,041
Other services	43,921	42,072
Interest income	4,919	8,760
	728,818	725,048
United Kingdom		
Other services	82,875	82,247
	811,693	807,295

In the opinion of the directors, fuller compliance with the disclosure requirements of SSAP 25 'Segmental Reporting' would be prejudicial to the Group's interests.

3. Operating Costs

	2013 €'000	2012 €'000
The consolidated costs before exceptional items for the Group were as follows:		
Staff costs		
Wages and salaries	406,500	416,369
Postmasters' costs	75,281	74,614
Social welfare costs	35,412	36,270
	517,193	527,253
Pension costs	42,580	46,663
	559,773	573,916
Other costs		
Distribution	101,090	95,360
Facilities	24,729	26,291
Operational	68,968	70,286
Administration	41,600	33,942
Depreciation and amortisation of goodwill	26,996	24,984
	263,383	250,863
	823,156	824,779

4. Exceptional Items

	2013 €'000
Negative past service cost (note 18)	(71,000)
Restructuring provision (note 17)	45,000
Asset valuation review (note 9,10)	8,851
Credit for exceptional items	(17,149)

Negative past service cost
During the year the Group completed the process of increasing the retirement age of members of the Company's defined benefit pension schemes. This resulted in a negative past service cost of €71.0m (see note 18).

Restructuring provision
The Group is currently in the process of restructuring how it conducts its mails business operations, primarily in response to the structural decline in the postal sector. This includes reorganising work practices and continued enhanced automation. A related restructuring provision has been recognised in 2013. This is comprised of €40m in respect of voluntary severance and voluntary early retirement programmes and €5m of direct costs associated with the restructuring initiatives (see note 17).

Asset valuation review
The Directors have considered the carrying value of certain assets and purchased goodwill on the Group's balance sheet at 31 December 2013. Based on this review, the Directors have assessed that a write off of €7.5m against purchased goodwill (note 9) and €1.4m against tangible fixed assets (note 10) is appropriate at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (cont.)

5. Profit/(Loss) on Ordinary Activities before Taxation

	2013 €'000	2012 €'000
The profit/(loss) on ordinary activities before taxation is stated after charging:		
Directors' emoluments		
Fees	214	237
Other emoluments	306	345
Pension contributions	71	77
Expenses paid to Directors		
Travel	12	8
Subsistence	3	3
Other	-	1
Auditor's remuneration - Group		
Audit of the Group financial statements	240	239
Other assurance services	135	132
Tax advice services	209	276
Other non-audit services	80	20
Auditor's remuneration – An Post company		
Audit of the financial statements	142	142
Other assurance services	102	98
Tax advice services	180	247
Other non-audit services	80	20
Operating lease rentals:		
Rental of buildings	8,127	8,913
Other - equipment and motor vehicles	14,535	13,964
and after crediting:		
Capital grants amortised	102	102
Profit on sale of fixed assets	1	417

The amounts shown above as directors' emoluments include only the amounts paid to the directors in the execution of their duties as directors and the salary of the Chief Executive who is also a director. Other than this, they do not include the salaries of the employee and postmaster directors.

5. Profit/(Loss) on Ordinary Activities before Taxation (cont.)

The remuneration package of Mr Donal Connell, Chief Executive Officer, which is included in the amounts shown above as directors' emoluments, was as follows:

	2013 €'000	2012 €'000
Basic salary	295	328
Other emoluments	-	-
Taxable benefits, including use of a company car	11	17
Director's fee	9	16
Pension contributions	71	77
	386	438

The fees paid to each director were as follows:

	2013 €'000	2012 €'000
Christoph Mueller (Chairman)	24	-
John Fitzgerald (Former Chairman)	5	31
Noel Adamson	16	3
Patrick Compton	16	16
Jerry Condon	-	13
Donal Connell	9	16
Anne Connolly	-	14
Paddy Costello	-	13
Thomas Devlin	16	16
Paul Henry	16	16
William Mooney	16	3
Thomas O Brien	8	-
Martina O'Connell	16	3
Gerry O'Toole	-	13
Peter Ormond	16	16
John Quinlivan	7	16
William Scally	16	-
Alan Sloane	-	16
Lorraine Tormey	16	-
Catherine Woods	1	16
James Wrynn	16	16
Total	214	237

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (cont.)

6. Tax on Profit/(Loss) on Ordinary Activities

	2013 €'000	2012 €'000
Current tax		
Ireland – Corporation tax	246	(45)
Adjustment with respect of prior years	(230)	(385)
UK – Corporation tax	660	559
	676	129

The current tax charge is higher than the standard rate of corporation tax in Ireland. The differences are explained below:

	2013 €'000	2012 €'000
Profit/(loss) on ordinary activities before tax	8,546	(37,234)
Current tax of 12.5% (2012: 12.5%)	1,068	(4,654)
Effects of:		
Expenses not deductible	1,499	617
Depreciation in excess of capital allowances	327	225
Income and gains taxed at higher rates	918	1,263
Tax losses not recognised	7,136	3,623
Other timing differences	(10,042)	(560)
Prior year overprovision	(230)	(385)
Current tax charge	676	129

The 2013 tax charge of €676,000 includes a tax credit of €372,000 (2012: €552,000) in respect of research and development credit claims. Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €41,916,000 (2012: €42,221,000) arising from the defined benefit pension scheme liability and tax losses forward has not been recognised.

7. Profit/(Loss) for the Financial Year

	2013 €'000	2012 €'000
Profit/(loss) after tax in the holding company	7,685	(45,684)
Profit after tax in subsidiary undertakings	185	6,206
Minority interest	(2,001)	(2,014)
Impairment of financial asset	-	2,115
Profit/(loss) for the financial year	5,869	(39,377)

A separate profit and loss account for An Post has not been prepared because the conditions laid down in Section 148(8) of the Companies Act, 1963 have been satisfied.

8. Staff Numbers and Costs

The average full time equivalent (FTE) number of persons, excluding postmasters, working in the Group during the year was:

	2013	2012
Operations	8,714	9,008
Corporate	630	633
Total Company employees (FTE)	9,344	9,641
Subsidiaries	801	748
Total Group employees (FTE)	10,145	10,389

The average number of employees working in the Group during the year was:

	2013	2012
Operations	8,497	8,725
Corporate	641	668
Total Company employees	9,138	9,393
Casual employees	916	1,110
Total Company employees	10,054	10,503
Subsidiaries	813	750
Total Group employees	10,867	11,253
Postmasters: Engaged as agents	1,090	1,095

The aggregate payroll costs, excluding restructuring costs, were as follows:

	2013 €'000	2012 €'000
Wages and salaries	406,500	416,369
Postmasters' costs	75,281	74,614
Social welfare costs	35,412	36,270
	517,193	527,253
Pension costs (including negative past service costs)	(28,420)	46,663
	488,773	573,916

9. Intangible Fixed Assets – Goodwill

	2013 €'000
Group	
Cost	
At 31 December 2012	41,476
Foreign exchange loss	(74)
At 31 December 2013	41,402
Amortisation	
At 31 December 2012	19,223
Charge for year	2,028
Asset valuation adjustment	7,462
At 31 December 2013	28,713
Net Book Value	
At 31 December 2013	12,689
At 31 December 2012	22,253

The directors have considered the remaining carrying value of goodwill at 31 December 2013 and have concluded that no other impairment arises.

10. Tangible Fixed Assets

	Freehold & long leasehold land & buildings €'000	Interest in GPO €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Group					
Cost					
At 31 December 2012	249,591	26,585	13,117	334,435	623,728
Additions	9,019	-	117	13,152	22,288
Disposals	(1,255)	-	(1,064)	(1,700)	(4,019)
Foreign exchange movement	-	-	1	33	34
At 31 December 2013	257,355	26,585	12,171	345,920	642,031
Accumulated Depreciation					
At 31 December 2012	63,626	12,892	10,206	264,472	351,196
Charged during year*	5,650	663	1,976	18,068	26,357
Eliminated on disposals	(582)	-	(1,008)	(1,700)	(3,290)
Foreign exchange movement	-	-	(3)	91	88
At 31 December 2013	68,694	13,555	11,171	280,931	374,351
Net Book Value					
At 31 December 2013	188,661	13,030	1,000	64,989	267,680
At 31 December 2012	185,965	13,693	2,911	69,963	272,532
Company					
Cost					
At 31 December 2012	251,903	26,585	12,957	319,669	611,114
Additions	9,014	-	-	11,282	20,296
Disposals	(1,255)	-	(986)	-	(2,241)
At 31 December 2013	259,662	26,585	11,971	330,951	629,169
Accumulated Depreciation					
At 31 December 2012	58,703	12,892	10,107	254,667	336,369
Charged during year*	5,812	663	1,944	16,239	24,658
Eliminated on disposals	(582)	-	(945)	-	(1,527)
At 31 December 2013	63,933	13,555	11,106	270,906	359,500
Net Book Value					
At 31 December 2013	195,729	13,030	865	60,045	269,669
At 31 December 2012	193,200	13,693	2,850	65,002	274,745

Group and Company
The depreciable element of freehold & long leasehold land & buildings amounts to:
Group €215,196,000 (2012: €205,176,000), Company €222,073,000 (2012: 212,247,000)
* included in the depreciation charge for the year is an amount of €1.4m in respect of the asset valuation adjustment (note 4).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (cont.)

11. Financial Fixed Assets

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Shares in subsidiary undertakings, at cost less impairment	102	102	8,968,937	8,968,937
Interest in associated undertakings, at cost	163	163	163	163
	265	265	8,969,100	8,969,100
The movements during the year were as follows:				
Shares in subsidiary undertakings (note 25)				
At beginning of year	102	102	8,968,937	11,083,733
Additions/disposals	-	-	-	-
Impairment in value of subsidiary undertaking	-	-	-	(2,114,796)
At end of year	102	102	8,968,937	8,968,937
Shares in associated undertakings (note 25)				
At beginning of year	163	163	163	163
Additions/disposals	-	-	-	-
At end of year	163	163	163	163

During the year, the Group share of associated undertakings profit amounted to €nil (2012: €nil).

12. Debtors

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
Amounts falling due within one year				
Trade debtors	59,615	68,707	21,939	24,250
Amounts owed by subsidiary undertaking not consolidated (note 28)	462	640	462	640
Amounts owed by other subsidiary undertakings	-	-	2,925	3,644
Amounts owed by associated undertaking (note 28)	274	489	235	281
Other debtors	2,195	1,926	1,043	819
Prize bonds held	813	813	625	625
Prepayments and accrued income	38,198	30,580	3,789	2,974
	101,557	103,155	31,018	33,233
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	18,412	20,818
	101,557	103,155	49,430	54,051

13. Cash at Bank and in Hand

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
Cash at bank	36,184	26,283	23,786	18,801
Cash in hand	225,994	231,634	225,994	231,634
	262,178	257,917	249,780	250,435
Term deposits	164,687	172,104	164,687	172,104
Less: Amounts held in trust	(362,952)	(317,916)	(362,952)	(317,916)
	63,913	112,105	51,515	104,623

14. Creditors: Amounts falling due within one year

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
Trade creditors	40,131	50,920	10,878	17,769
Amounts owed to subsidiary undertakings	-	-	43,301	41,500
Other creditors	17,281	14,387	5,473	4,389
Taxation and social welfare (note 15)	13,650	13,508	11,680	11,506
Accruals	78,970	86,635	61,686	71,252
Deferred income - capital grants (note 16)	101	101	101	101
Bank overdraft	943	2,430	-	-
Deferred income	16,600	18,026	15,289	16,633
	167,676	186,007	148,408	163,150

The bank overdraft is repayable on demand.

15. Taxation and Social Welfare

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
Corporation tax (receivable)/payable	(220)	306	(540)	(508)
Income tax deducted under PAYE	6,518	5,342	5,830	4,680
Pay related social insurance	5,254	5,670	5,102	5,534
Value added tax	1,754	1,875	961	1,500
Professional services withholding tax	344	315	327	300
	13,650	13,508	11,680	11,506

16. Creditors: Amounts falling due after more than one year

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
Deferred income - capital grants	3,258	3,360	3,258	3,360
Term loan	3,003	1,000	-	-
	6,261	4,360	3,258	3,360
The movements on grants were as follows:				
At beginning of year	3,461	3,563	3,461	3,563
Amortised to profit and loss account	(102)	(102)	(102)	(102)
At end of year	3,359	3,461	3,359	3,461
Transferred to creditors: amounts falling due within one year	(101)	(101)	(101)	(101)
	3,258	3,360	3,258	3,360

The term loan is secured by way of a debenture over the assets of the Gift Voucher Shop. It is repayable in 2015 and 2016.

17. Provisions for Liabilities

	2013 €'000	2012 €'000
Group and Company		
Provisions for business restructuring	47,650	22,352
The movements during the year were as follows:		
At beginning of year	22,352	39,432
Provisions made during the year	45,000	-
Utilised during the year	(19,702)	(17,080)
At end of year	47,650	22,352

The restructuring provision recognised in 2013 (see note 4) is comprised of €40m in respect of voluntary exit programmes and €5m of direct costs associated with restructuring initiatives. It is anticipated that the provision for business restructuring will be utilised by 31 December 2016.

18. Pensions and Similar Obligations

Group and Company

The pension entitlements of employees arise under a number of defined benefit and defined contribution pension schemes, the assets of which are vested in independent trustees appointed by the Company for the sole benefit of employees and their dependents. Annual contributions are based on the advice of a professionally qualified actuary.

The amounts charged during the year to operating costs were as follows:

	Group 2013 €'000	Group 2012 €'000
Defined benefit schemes – current service cost	40,700	44,800
Ex-gratia schemes – current service cost	1,000	1,000
Negative past service cost on changes to normal retirement age	(71,000)	-
Defined contribution scheme	880	863
Recognised in the profit and loss account	(28,420)	46,663

Past service costs of €10,239,000 (2012: €8,088,000) arose during the year. These were discharged through the utilisation of the restructuring provision (note 17) and had no impact on the profit and loss account for the year ended 31 December 2013 or 2012. Contributions payable to pension schemes and included in creditors at 31 December 2013 amounted to €1,692,000 (2012: €347,000) and were paid in January 2014.

The pension costs of the defined benefit schemes are assessed in accordance with the advice of an independent professionally qualified actuary. The most recent actuarial valuations, which took account of the changes to the normal retirement age, were carried out at 1 January 2013 using the attained age method and at that date were sufficient to cover 92% of the accrued liabilities. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would be 3.0% higher than the annual increase in pensionable remuneration. The actuarial valuation of 1 January 2013 recommended a contribution rate of 14.4% of pensionable remuneration. The actuarial valuations are not available for public inspection but the results of the valuations have been advised to the members of the schemes.

The changes to the Company's defined benefit pension schemes resulted in a negative past service cost of €71.0m. These changes form part of a course of action agreed to by all stakeholders in order to comply with the Minimum Funding Standard (MFS) as issued by the Pensions Authority.

The valuations of the pension schemes used for the purpose of FRS 17 accounting entries and disclosures have been based on the most recent actuarial valuations as identified above and updated by the independent actuary to 31 December 2013. Scheme assets are stated at their market value at the balance sheet date.

The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

	2013	2012	2011
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate	3.75%	4.00%	5.25%
Inflation - CPI	2.00%	2.00%	2.00%
Relevant wage inflation	1.50%	1.50%	2.60%
Increase to pensions in payment	1.50%	1.50%	2.60%
Pensionable salary increases	1.50%	1.50%	2.60%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (cont.)

18. Pensions and Similar Obligations (cont.)

The long term expected rates of return on the assets of the pension scheme were:

	2013	2012	2011
Equities	7.50%	7.50%	8.25%
Bonds	3.25%	3.00%	3.75%
Other	6.90%	4.00%	4.25%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2013	2013	2012	2012
Life expectancy at 65	Male	Female	Male	Female
Current Pensioners – aged 65	86.8	88.1	85.8	87.1
Future Pensioners – aged 40	89.6	90.6	88.7	89.6

The market value of the assets of the defined benefit schemes at 31 December, 2013, 2012 and 2011 were:

	2013 €'000	2012 €'000	2011 €'000
Equities	1,147,800	999,300	925,700
Bonds	779,200	824,700	681,100
Other	269,909	193,535	153,172
Fair value of pension schemes' assets	2,196,909	2,017,535	1,759,972
Present value of funded defined benefit obligations	(2,410,500)	(2,288,100)	(2,230,700)
Present value of unfunded defined benefit obligations	(15,615)	(14,055)	(12,866)
Present value of defined benefit obligations	(2,426,115)	(2,302,155)	(2,243,566)
Pension liability	(229,206)	(284,620)	(483,594)

18. Pensions and Similar Obligations (cont.)

Movement in fair value of pension schemes' assets

	2013 €'000	2012 €'000
Fair value of pension schemes' assets at beginning of year	2,017,535	1,759,972
Expected return on plan assets	94,200	97,300
Actuarial gain	112,735	181,300
Employer contributions	59,023	57,912
Members contributions	4,565	4,400
Benefits paid	(91,149)	(83,349)
Fair value of pension schemes' assets at end of year	2,196,909	2,017,535

Movement in present value of defined benefit obligations

	2013 €'000	2012 €'000
Defined benefit obligations at beginning of year	(2,302,155)	(2,243,566)
Current service cost	(41,700)	(45,800)
Past service cost	(10,239)	(8,088)
Interest cost	(91,340)	(117,050)
Members contributions	(4,565)	(4,400)
Negative past service cost on change to normal retirement age	71,000	-
Benefits paid	91,149	83,349
Actuarial (loss)/gain	(138,265)	33,400
Defined benefit obligations at end of year	(2,426,115)	(2,302,155)

Other Finance Income/(Expense)

	2013 €'000	2012 €'000
Interest on scheme liabilities	(91,340)	(117,050)
Expected return on schemes' assets	94,200	97,300
	2,860	(19,750)

The expected return on scheme assets is calculated based on the value of the schemes' assets at the beginning of the financial year.

18. Pensions and Similar Obligations (cont.)

Amounts recognised in statement of total recognised gains and losses

The actuarial gains and losses are analysed as follows:

	2013 €'000	2012 €'000
Difference between expected and actual return on assets	112,735	181,300
Experience gains and losses on schemes liabilities	(138,265)	33,400
Actuarial (loss)/gain recognised	(25,530)	214,700

The actual return on schemes' assets in 2013 was a gain of €207 million (2012: gain of €279 million). The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December 2013 is a loss of €76 million (2012: loss of €50 million).

Employer contributions in 2014 excluding potential past service costs are expected to be €48m.

History of Actuarial gains and losses

	2013 €'000	2012 €'000	2011 €'000	2010 €'000	2009 €'000
Difference between expected and actual return on assets	112,735	181,300	(185,500)	96,000	125,700
Expressed as a percentage of schemes' assets	5%	9%	(11%)	5%	8%
Experience gains and losses on schemes' liabilities	(138,265)	33,400	63,870	(68,690)	62,090
Expressed as a percentage of schemes' liabilities	(6%)	1%	3%	(3%)	3%
Total actuarial (losses) and gains	(25,530)	214,700	(121,630)	27,310	187,790
Expressed as a percentage of schemes' liabilities	(1%)	9%	(5%)	1%	9%

An Post Pension Scheme Contingent Asset

Under the terms of the plan to meet the Minimum Funding Standard requirements a mortgage and charge relating to certain property assets of the Company with a current value of €72.5 million will be put in place in favour of the An Post Pension Scheme ("the Scheme") for use as a contingent asset of the Scheme. Under the terms of the mortgage and charge, should a disposal of these property assets occur that meets the terms of the mortgage and charge, the Scheme is entitled to the sale proceeds, or for the assets sold to be replaced by other assets of an equal market value. The maximum amount recoverable by the Trustees of the Scheme under the mortgage and charge is €100m.

19. Share Capital

Group and Company

	2013 €'000	2012 €'000
Authorised:		
80,000,000 Ordinary Shares of €1.25 each	100,000	100,000
Allotted, called up and fully paid:		
54,590,946 Ordinary Shares of €1.25 each	68,239	68,239

On 14 January, 2003, pursuant to Section 26 of the Economic and Monetary Union Act, 1998, the Company's shares were renomalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund.

20. Profit and Loss Account

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
At beginning of year	(52,265)	(227,588)	(100,210)	(269,226)
Profit/(loss) for the financial year	5,869	(39,377)	7,685	(45,684)
Other recognised (losses)/gains	(25,530)	214,700	(25,530)	214,700
At end of year	(71,926)	(52,265)	(118,055)	(100,210)

21. Reconciliation of Shareholders' (Deficit)/Funds

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
At beginning of year	16,851	(158,472)	(31,094)	(200,110)
Profit/(loss) for the financial year	5,869	(39,377)	7,685	(45,684)
Other recognised (losses)/gains	(25,530)	214,700	(25,530)	214,700
At end of year	(2,810)	16,851	(48,939)	(31,094)

22. Minority Interest

	2013 €'000	2012 €'000
Group		
Accumulated losses at start of year	4,145	6,159
Minority interest share of profit	(2,001)	(2,014)
Accumulated losses at end of year	2,144	4,145

The minority interest profits arise in the GVS group of companies and An Post GeoDirectory Limited.

23. Gross Cash Flows

	2013 €'000	2012 €'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating loss before exceptional items	(11,463)	(17,484)
Depreciation and amortisation of goodwill	26,996	24,984
Profit on sale of tangible fixed assets	(1)	(417)
Payments in relation to provision for business restructuring	(19,702)	(17,080)
Cash paid in excess of FRS17 pension charge	(7,083)	(4,024)
Capital grants amortised	(102)	(102)
Decrease in operating debtors	1,594	9,080
Decrease in operating creditors	(7,462)	(714)
Net cash outflow from operating activities	(17,223)	(5,757)
Taxation		
Tax paid	(1,202)	(1,729)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(31,013)	(31,133)
Disposal of tangible fixed assets	730	691
	(30,283)	(30,442)
Financing		
Term loan received	2,003	-
Management of liquid resources (note a)		
Decrease in term deposits	(7,417)	(57,760)

Note a: Liquid resources comprise term deposits with a maturity notice period of more than one day.

24. Analysis of Net Funds

	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand	257,917	4,261	262,178
Bank overdraft	(2,430)	1,487	(943)
Amounts held in trust	(317,916)	(45,036)	(362,952)
	(62,429)	(39,288)	(101,717)
Term deposits	172,104	(7,417)	164,687
Total	109,675	(46,705)	62,970

25. Subsidiary and Associated Undertakings

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held directly by the Company			
An Post National Lottery Company (note 28)	Operation of the National Lottery	80%	General Post Office O'Connell Street Dublin 1
Postpoint Services Limited	Mobile top ups	100%	General Post Office O'Connell Street Dublin 1
GVS Gift Voucher Shop Limited	Retail gift vouchers	53.6%	General Post Office O'Connell Street Dublin 1
PrintPost Limited	High volume printing	100%	General Post Office O'Connell Street Dublin 1
An Post Billpost Processing Services Limited	Bill payment processing	100%	General Post Office O'Connell Street Dublin 1
An Post GeoDirectory Limited	Database services	51%	General Post Office O'Connell Street Dublin 1
Precision Marketing Information Limited trading as Data Ireland	Provision of marketing data, database services and business directories	100%	General Post Office O'Connell Street Dublin 1
Arcade Property Company Limited	Property development and letting	100%	General Post Office O'Connell Street Dublin 1
Prince's Street Property Company Limited	Dormant	100%	General Post Office O'Connell Street Dublin 1
Post Consult International Limited	Computer software services	100%	General Post Office O'Connell Street Dublin 1
Post.Trust Limited	Digital certification and security services	100%	General Post Office O'Connell Street Dublin 1
Transpost Limited	Courier and distribution	100%	General Post Office O'Connell Street Dublin 1
Kompass Ireland Publishers Limited	Dormant	100%	General Post Office O'Connell Street Dublin 1
An Post (NI) Limited	Holding company	100%	Stokes House College Square East Belfast

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (cont.)

25. Subsidiary and Associated Undertakings (cont.)

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held indirectly through a subsidiary undertaking			
Air Business Limited	Distribution and magazine subscription services	100%	4, The Merlin Centre Acrewood Way St. Albans Herts U.K.
The Gift Voucher Shop Limited	Retail Gift Vouchers	53.6%	4, The Merlin Centre Acrewood Way St. Albans Herts U.K.
Jordan & Co International Limited	Distribution	100%	4, The Merlin Centre Acrewood Way St. Albans Herts U.K.
One Direct (Ireland) Limited	Insurance Broker	100%	General Post Office O'Connell Street Dublin 1
Associated undertaking held directly by the Company			
The Prize Bond Company Limited	Administration of the Prize Bond Scheme	50%	General Post Office O'Connell Street Dublin 1

Air Business Limited, Jordan & Co International Limited and The Gift Voucher Shop Limited are incorporated in and operate in England & Wales. An Post (NI) Limited is incorporated in and operates in Northern Ireland.

All other undertakings are incorporated in and operate in the Republic of Ireland. All shareholdings consist of ordinary share capital.

An Post National Lottery Company carries on the business of operating the National Lottery under licence from the Minister for Public Expenditure and Reform in accordance with the provisions of the National Lottery Act, 1986. 20% of the issued share capital is held by the Minister for Public Expenditure and Reform.

The Prize Bond Company Limited carries on the business of administering the Prize Bond Scheme under contract from the National Treasury Management Agency.

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act, 1986, whereby they will annex the financial statements of An Post to their annual returns:

Post Consult International Limited; PrintPost Limited; Post.Trust Limited; Transpost Limited; Precision Marketing Information Limited; Prince's Street Property Company Limited; An Post Billpost Processing Services Limited; Kompass Ireland Publishers Limited and Postpoint Services Limited.

26. Lease Commitments

Annual commitments under operating leases were as follows:

	2013 Land & buildings €'000	2013 Equipment & motor vehicles €'000	2013 Total €'000	2012 Land & buildings €'000	2012 Equipment & motor vehicles €'000	2012 Total €'000
Group						
Expiring within one year	1,789	3,312	5,101	1,336	2,539	3,875
Expiring after one year and before five years	2,082	9,071	11,153	3,409	8,279	11,688
Expiring after five years	4,360	77	4,437	4,296	1,433	5,729
	8,231	12,460	20,691	9,041	12,251	21,292
Company						
Expiring within one year	1,062	3,197	4,259	709	2,429	3,138
Expiring after one year and before five years	1,438	8,763	10,201	2,743	8,024	10,767
Expiring after five years	3,058	-	3,058	3,224	1,429	4,653
	5,558	11,960	17,518	6,676	11,882	18,558

There were no material finance lease commitments either at 31 December 2013 or 2012 or which were due to commence after that date.

27. Capital Commitments

Future capital expenditure approved by the directors but not provided for in the financial statements was as follows:

	Group 2013 €'000	Group 2012 €'000	Company 2013 €'000	Company 2012 €'000
Contracted for	4,721	12,550	4,721	12,550
Authorised but not contracted for	2,214	1,947	2,214	1,947
	6,935	14,497	6,935	14,497

28. Related Party Disclosures and Controlling Party

Controlling party

The Group was controlled throughout the year by the Minister for Communications, Energy and Natural Resources who holds the entire issued share capital of An Post except for one ordinary share held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011).

Transactions with related undertakings

An Post National Lottery Company

The Group provides An Post National Lottery Company, an undertaking not consolidated, with management and delivery services. Such services are carried out on an arm's length basis or, where required, in accordance with the terms of the licence granted by the Minister for Public Expenditure and Reform to operate the National Lottery. The Company also provides agency services to An Post National Lottery Company whereby the Company makes sales and pays prizes on behalf of An Post National Lottery Company in accordance with the standard terms and conditions and remuneration structure common to all of An Post National Lottery Company's agents. Group turnover for the year includes €5,160,000 (2012: €5,683,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,383,000 (2012: €2,586,000) payable to the Company in accordance with the terms of the licence to operate the National Lottery.

The costs of staff working in An Post National Lottery Company are recharged from An Post at cost and amounted to €8,321,000 for the year ended 31 December 2013 (2012: €8,441,000).

The amount owed by An Post National Lottery Company to the Company was €462,000 at 31 December 2013 (2012: €640,000).

An Post has agreed to guarantee the performance by An Post National Lottery Company of its obligations under the licence for the holding of the National Lottery granted by the Minister for Public Expenditure and Reform. An Post has provided the guarantee, the maximum liability of which amounts to €10 million, for the duration of the licence.

On 27 February 2014, Premier Lotteries Ireland signed a 20-year licence to operate the National Lottery. The new operator whose investors are An Post, the An Post pension funds and Ontario Teachers' Pension Plan (OTPP), will take over the full operation of the National Lottery following transition.

The Prize Bond Company Limited

Under the terms of a contract with The Prize Bond Company Limited, the Company carries out certain aspects of the administration of the Prize Bond Scheme. Fees earned by the Company in respect of such services amounted to €3,532,000 for the year ended 31 December, 2013 (2012: €3,112,000). The amount owed by The Prize Bond Company Limited to the Company was €274,000 at 31 December 2013 (2012: €489,000). At 31 December 2013 the Group held €813,000 (2012: €813,000) of Prize Bonds.

Loft Beck Limited (formerly Postbank Ireland Limited)

Loft Beck Limited (formerly Postbank Ireland Limited) is in voluntary liquidation from 25 March 2011. The liquidation process will likely last for a number of years. An Post has received payments from the liquidator of €nil (2012: €1,000,000) representing surplus funds on the liquidation. The liquidator has received an indemnity from shareholders entitling him to reclaim this should the need arise.

Transactions with Government departments and other State bodies

The Group provides, in the ordinary course of business, postage, agency, remittance and courier services to various Government departments and other State bodies on an arms length basis. The Group also conducts day to day banking services and treasury with banking institutions both owned and guaranteed by the State.

29. Contingencies

Group and Company

There were no contingent liabilities or guarantees at 31 December, 2013 or 2012 which could give rise to material losses other than as disclosed elsewhere in the financial statements.

On 8 February 2012, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations Act 2002 seeking an order from the High Court to impose a financial penalty on An Post for alleged non compliance with the quality of service standards. The Company is vigorously defending the action and has recognised no liability in this regard as at 31 December 2013.

30. Subsequent Events

On 27 February 2014, Premier Lotteries Ireland signed a 20-year licence to operate the National Lottery. The new operator whose investors are An Post, the An Post pension funds and Ontario Teachers' Pension Plan (OTPP), will take over the full operation of the National Lottery following transition.

31. Board Approval

The financial statements were approved by the Board of Directors on 20 March 2014.

FIVE YEAR FINANCIAL SUMMARY

Consolidated Profit & Loss Account

	2013 €'000	2012 €'000	2011 €'000	2010 €'000	2009 €'000
Turnover	811,693	807,295	806,714	805,120	804,216
Operating costs	(823,156)	(824,779)	(804,498)	(799,282)	(798,475)
Operating (loss)/profit	(11,463)	(17,484)	2,216	5,838	5,741
Share of results of joint venture	-	-	-	(6,590)	(10,750)
Exceptional items	17,149	-	-	(20,000)	-
Other finance income/(expense)	2,860	(19,750)	1,550	(3,950)	(20,560)
Profit/(loss) before taxation	8,546	(37,234)	3,766	(24,702)	(25,569)

Consolidated Balance Sheet

	2013 €'000	2012 €'000	2011 €'000	2010 €'000	2009 €'000
Fixed assets	280,369	294,785	291,129	279,323	242,704
Net current (liabilities)/assets	(2,206)	29,253	70,727	95,925	166,423
Other liabilities	(53,911)	(26,712)	(42,893)	(51,383)	(53,550)
Net assets excluding pension liability	224,252	297,326	318,963	323,865	355,577
Pension liability	(229,206)	(284,620)	(483,594)	(368,498)	(403,252)
Net (liabilities)/assets including pension liability	(4,954)	12,706	(164,631)	(44,633)	(47,675)
Capital and reserves	(4,954)	12,706	(164,631)	(44,633)	(47,675)

Ratios

	2013 €'000	2012 €'000	2011 €'000	2010 €'000	2009 €'000
Operating (loss)/profit above as % of turnover	(1.40%)	(2.17%)	0.27%	0.73%	0.71%
Operating (loss)/profit above as % of average shareholders' funds before pension liability	(4.40%)	(5.67%)	0.68%	1.68%	1.55%
Staff and postmasters' costs as % of operating costs before exceptional item	68.08%	69.58%	71.65%	72.0%	73.76%
Current assets as % of current liabilities	98.7%	115.7%	136.0%	148.1%	190.5%

OPERATIONAL STATISTICS (UNAUDITED)

Mail

	2013	2012	2011	2010	2009
Letters core revenue index (2005 = 100) (note 1)	75.7	77.2	81.4	87.5	94.3

Note 1 : This index reflects changes in letters core revenue and excludes revenue from elections, referenda, foreign administrations in each year as well as the impact of changes to published tariffs.

System Size

	2013	2012	2011	2010	2009
No. of delivery points (millions)	2.238	2.236	2.235	2.231	2.214
Post office network:					
Company post offices	57	57	57	57	57
Sub-post offices	1,090	1,095	1,099	1,107	1,179
Postal agencies	141	166	175	185	177
	1,288	1,318	1,331	1,349	1,413
No. of motor vehicles	2,743	2,775	2,778	2,778	2,782
Savings Services (note 2)	**€m**	**€m**	**€m**	**€m**	**€m**
Value of Funds at 31 December	18,163	16,276	14,071	12,692	9,303
Activity for year					
Post Office Savings Services					
Savings Bank deposits	1,141	1,195	1,122	1,242	905
Savings Bank withdrawals	(1,272)	(967)	(973)	(813)	(802)
Savings Certificates issued	1,806	1,053	822	1,354	1,215
Savings Certificates repaid	(713)	(558)	(616)	(597)	(1,041)
Instalment Savings issued	96	97	97	100	110
Instalment Savings repaid	(105)	(116)	(113)	(113)	(102)
Savings Bonds issued	1,739	2,257	1,401	2,137	1,466
Savings Bonds repaid	(2,151)	(1,603)	(937)	(706)	(704)
National Solidarity Bond issued	790	412	294	349	-
National Solidarity Bond repaid	(38)	(23)	(31)	(7)	-
Department of Social Protection	**€m**	**€m**	**€m**	**€m**	**€m**
Welfare benefits paid during the year	9,169	9,445	9,703	9,975	9,928
	000's	**000's**	**000's**	**000's**	**000's**
Billpay Volumes	24,400	25,200	24,930	25,220	25,170
TV Licence Sales	1,427	1,412	1,426	1,432	1,436

Note 2: The assets and liabilities of the Savings Services vest in the Minister for Finance and, accordingly, are not included in the financial statements of the Company.

An Post
General Post Office
O'Connell Street
Dublin 1
Ireland

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